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DEVELOPMENT OF MODERN AGRICULTURE IN HONGKONG

The Necessity of an Agricultural Policy for the New Territories

By ARGOS

If a resident of the New Territories of 100 years ago could come back and visit his old haunts he would see a few fascinating innovations careering down roads and railways, but he would be perfectly familiar with the rural landscape and the agricultural technique which is still practiced around the same type of village in which he used to live. The fields of Paddy are cultivated in ways he would know, their size and location are about the same, a plough, differing little from the one he knew, still churns up the old grey mud, the staple crop is rice, as it always has been. The same back-breaking labour is still required to wrest a livelihood from the soil, rents are much higher, but the system of paying his rent in kind, of threshing his crop or marketing his rice have changed little, if at all.

Over the hills, however, where the iron trains begin, and to and from which the motor lorries scurry, like the indefatigable ants, a tremendous change has taken place. Around the placid fragrant waters where pirate Heung is reputed to have waylaid ships to and from Canton there has arisen the largest and probably the most progressive city in the British Colonial Empire. Where a few fishermen's huts once stood there is now a populace of nearly 2 million people, and one of the most remarkable features in the development of this city of Hong Kong has been the almost negligible effects which the development of the town has had on agricultural practice in adjoining rural areas.

The object of agriculture is to produce food at the lowest possible prices. In addition, it does, of course, provide a livelihood to a number of people, but this is from the economic point of view, only a secondary consideration. Now, foodstuffs can, broadly speaking, be divided into two categories, "Body building foods" and "Protective foods". The former are those which keep us alive; which provide the calories to build up our bodies. They comprise cereals such as wheat, oats, rice, sugar and the like. "Protective foods" are those which keep us healthy by providing the necessary vitamins, which are found in vegetables, fruits, meat, eggs, and above all, fresh milk. It is true to say that our New Territories agriculture tends

to centre on the production of "body building foods" with its staple crop of rice. The question we have to ask is whether the production of rice in the New Territories is to the best advantage of Hong Kong or whether it might not be better in the interests of both the urban and rural population to direct our agricultural land, labour and capital towards the cultivation of "protective foods".

It is obvious that the amount of rice produced by the New Territories is only an infinitesimal part of the total amount of "body building" foodstuffs required to feed our enormous population. We must import our rice from other countries and no matter how intensive cultivation may become, (and there is a decided limit to production via intensive cultivation) it will never have any appreciable influence on the imports of rice into this Colony. Rice is, in normal times, cheap. It is cheap even after it has paid freight charges from overseas countries, so in producing rice we are attempting to compete with the cheap imports from abroad, or in other words, we are producing that commodity which will, most likely, bring us least profit. The question at issue therefore, is whether we could not improve the agriculture economy of the New Territories and at the same time the health of the urban community by switching our production processes in the New Territories to something else.

It would probably be an over-statement to insist that everyone in Hong Kong has sufficient to eat, but it seems to be the fact that the number of people suffering from acute starvation in the Colony is very small. On the other hand there is evidence in the medical figures given in the 1946 Hong Kong report to show that although the Hong Kong populace may not be lacking for food it is undoubtedly ill-supplied with the right kind of diet. In particular the prevalence of berri-berri, pelagra and tuberculosis are taking a heavy toll of our people and the incidence of these diseases can be generally accounted for by lack of an adequate diet of the right "protective foodstuffs".

It is submitted that the supply of fruit, vegetables and fresh milk is much more important to the community of Hong

Kong than the rice which is now produced within its borders, so what is required from a social point of view is that the New Territories shall make available for the urban population fruits, fresh milk, meat, eggs and vegetables in large quantities at competitive prices; that the paddy fields shall be replaced by orchards, dairies, market gardens and pig farms.

From an economic point of view however, we must be fairly certain that the income—productivity of the New Territories would be substantially increased, over present levels. There would have to be a higher standard of living for the New Territories peasant and his income would have to cover amortisation and interest charges on the capital outlay which would inevitably follow a change-over.

There is little doubt that by improved financing and marketing facilities, the present margin of profit on rice production would be substantially increased (for the peasant), but it is submitted that an income from the production of "protective foodstuffs" would be economically higher than that at present obtained from rice. The New Territories enjoy what is probably an unlimited market for the produce it can grow, but it has a tremendous advantage over all other sources producing "protective foods" for the Hong Kong market, because of its close proximity to the actual consumer which reduces any wastage during transport to a minimum—and the bulk of "protective foodstuffs" are of a perishable nature.

The economic advantages of dairy farming, cattle rearing and pig farming are not so obvious, for there will be the necessity of providing fodder for the animals. Much of the land in the New Territories hitherto used for the cultivation of rice would have to be laid out for the production of animal foodstuffs. This might prove to be a double advantage. There seems to be no reason why pea-nuts, for example, should not be produced in large quantities in the New Territories, which would give a valuable marketable oil to a world starved for fats, and provide pea-nut cake as a bi-product which would serve as an excellent food for live-stock. But if more livestock were to be kept, they themselves would provide an additional source of manure which would increase the fertility of the soil and provide some, if not all, of the extra animal fodder required. A fair proportion of the animal foodstuffs would probably still have to be imported, but the higher prices which the new products would bring, should still make it possible to produce them at competitive prices.

It is pertinent to ask why the agricultural economy of the New Territories has progressed so slowly in the last 100 years, while the commercial enterprise, only next door as it were, created a magnificent city on a barren Chinese rock. A number of reasons could be advanced:—the traditional conservatism of the Chinese peasant, although the experience of Denmark has shown that the alleged conservatism of peasants can execute a remarkable quick volteface when the advantage of a higher monetary income is undisputably proven. The lack of example from progressive neighbours on the other side of the border may also be cited.

The main reasons for the continued antiquated state of the New Territories agriculture have probably been economic, and are those usually responsible for the backwardness in other poorly developed agricultural areas. Chief among these reasons is the lack of capital for development.

When a peasant cultivates his own land he can be expected to invest his savings so as to increase the productivity of his holding. If the cultivator, however, is a tenant, he usually has to rely on his landlord for capital improvements, which, in the case of the absentee landlord, is unlikely to be forthcoming, and if the landlord is also the local money lender the tenant will think twice before trying to borrow at usurious rates of interest for Capital Improvements. Or the terms of the tenancy may be of a "share-cropping" nature, by which the rent is paid as a percentage, and usually a large percent of the season's crop. The cultivator will hardly feel disposed to extend his efforts if he knows that 50% or 60% of whatever additional crop he produces must go to his landlord.

The second difficulty is the size and extent of farms. The quaint quilt-like effect which makes the valleys of the New Territories look so attractive is anathema to the economist. The waste of land from the baulks which divide the fields, the waste of man-power and equipment as each little square is ploughed and sown before the next can be tackled, the waste of time as the peasant deals with one job before tramping to the next half a mile away, coupled with the inability to use any but the most primitive types of agricultural machinery in such confined areas means that with the time, labour and land available, only a fraction of the potential output is being achieved.

Thirdly, there has been a shortage of skilled advisors to teach better methods of cultivation to the New Territories farmers, and a shortage of model farms where the results of these methods can be advertised to sceptical peasants and where scientific research can explore the hidden possibilities of what appears to be an arid and unfertile land.

To pose these problems is to suggest their remedies. The lack of capital for improvements and the usurious money lender is answered by the Agricultural Bank and legislation, guaranteeing to the tenant the value of improvements to his holding. It should not be difficult for Hong Kong, with its great banking tradition, to set up a rural bank which could advance money to cultivators at low rates of interest, against future crops. If such a bank could be run on co-operative lines so much the better, but it would be unwise to deny to the New Territories a rural bank simply because it could not be operated immediately on a co-operative basis.

Above all, however, the tenure of a peasant must be protected by legislation. Eviction at the whim of the landlord must

be forbidden and even when permitted, the outgoing tenant should be given compensation for any improvements he has made to his holding. Only in this manner can tenant farmers be encouraged to raise and spend money on capital additions to their holdings. Share-cropping too should be dealt with by legislation. 50% or 60% of the crop is excellent for the landlord who gets his produce irrespective of the value of money. The tenant, however, left with the remaining 40% or 50%, must sell when the market is over-stocked and has no opportunity to recoup himself by out-of-season sales. The legislature should insist that rents shall be paid in the current coin of the realm; only then can a tenant assess his costs, estimate his profits and decide whether or not he will improve his holding.

Consolidation of land into economic units of production is more difficult. With the levers of cheap loans and security of tenure, together with practical demonstrations of the higher incomes which consolidate holdings will produce, it should be possible to do something, but the process will be slow and laborious and will require infinite tact and patience on the part of those who are administering the policy.

The technical advisors and research workers on the model farms would be provided by the Govt. dept., which would also be the advisory body to the rural bank and be generally responsible for the implementation of the policy herein laid down.

Revolutions do not spring from a single cause. They are the result of a chain of highly charged factors which explode simultaneously. The agricultural revolution we are proposing for the New Territories will not be affected by the piece-meal application of the above proposals, but rather as a concerted offensive from all angles. A start could be made by the foundation of an Agricultural Bank and the passing of legislation to secure tenure and abolish "share-cropping". The approach would be something like this:—

John Wong, a peasant, is approached by a technical advisor, and it is suggested to him that instead of spending 10 hours a day in his rice field and half an hour looking after his two pigs, he should keep fifty sows and give the field only four hours of his time. It could, at the same time, be pointed out that potatoes are a better crop than rice, anyhow. He would be given a piece of land on the hillside near his village where a large number of modern pig sties are to be erected on capital advanced by the Agricultural Bank. Eventually he will purchase some of these pig sties, but for the time being he will be content to pay a small rent. His fifty sows will be purchased with an advance from the Agricultural Bank, which will also lend him money to cover the immediate purchase of feeding stuffs. The model farm, just around the hill, has a fine boar which will sire his sows and sell him feeding stuffs at cheap prices. It will also provide veterinary supervision of his stock and advise him how to bring up his pigs so as to get the highest profits. At the end of the season John Wong will sell his pigs, through a Central Marketing Corporation. From his profits he will re-pay the bank for his advances and add something to his savings account for future capital improvements. His success will, no doubt, inspire his fellow villagers to undertake the same work.

Marketing would be done by a co-operative agency. In point of fact this would merely mean the extension of the principals of the wholesale vegetable market in Kowloon.

The scheme outlined above is not beyond the administrative capacity of Hong Kong. What has been done for fish (perhaps the finest of all our post-war achievements) can be done for agriculture. It would be unwise, nevertheless, to minimise the difficulties which would be encountered. It would be a slow job, it would require infinite patience and there would be years of disappointment. Yet there are forces operating the other way. The Chinese will react to the profit motive quicker than most, and when once the cash advantages of the scheme are made apparent to a few, the remainder will only be too eager to follow. There will be no cash profits for the government, but there will be the prestige which arises from a job well done, the raising of the standard of living for the peasant under British administration, and an example, which will be followed with interest by other nations in the Far East, of what can be done for the peasant class.

The Gold Transactions of Hongkong

The Financial Secretary of Hongkong Govt. announced on April 23 that no further permits for the import of gold are being granted and that outstanding permits have been cancelled. For about five months past however, no import permits for gold were issued anyway and there never was any doubt left by the Financial authorities in the Colony that gold imports would be allowed again.

The announcement, of course, refers to transit permits for gold which was licensed for import into Macao by the Portuguese authorities (Dept. of Economic Services) in Macao. The Hongkong Govt. granted transit permits for about 320,000 taels of gold, the last permits having been issued in January. But since that time additional issues of transit permits were refused here. Since already about 240,000 taels of gold were imported in transit and shipped to Macao only about 80,000 taels are outstanding, and these transit permits have now been cancelled. However, if some gold was on its way before April 24, its landing in Hongkong, in transit for Macao, will be allowed.

The position of gold imports into Hongkong for 1946 was reviewed in our issue of January 29, pp. 51/2 (when also treasure returns were given).

Gold Imports, Direct And In Transit.

The total gold imports into Hongkong during 1946 and for the first quarter of 1947 were as follow: (in millions of Hongkong dollars):

1946: HK\$20.2 for importation into Hongkong, and \$19.3 in transit for Macao, under Macao import licence and Hongkong Govt. transit licence for gold bullion & coins.

January 1947: \$29.3, of which \$23.8 were shipped to Macao.

February 1947: \$18.4, of which \$17.6 were shipped to Macao.

During the month of March no further gold shipments were recorded.

Total gold imports into Hongkong (for 1946 and the first quarter of 1947) amounted to a value of HK\$57.2 million, or an approx. quantity of 340,000 taels. Of this imported gold an approx. quantity of 240,000 taels, valued at HK\$ 60.7 million were shipped to Macao.

Macao Govt. licenced for import a total quantity of 640,000 taels, of which about 320,000 taels only were granted a transit permit by Hongkong Govt. The balance outstanding on total Macao permits is some 400,000 taels, and on Hongkong transit permits (which have now been revoked) some 80,000 taels.

Total direct gold imports into Hongkong (for 1946 and January/February 1947) amounted to about 100,000 taels, valued at \$26.5 million.

Gold Imports & Exports in 1947 (in thousands of Hongkong dollars)

	Imports	Exports to Macao
January	29,364	23,857
February	18,415	17,594
March		

Legality of Gold Transactions.

When gold imports in 1946 were permitted by the Financial Secretary of Hongkong Govt. the public wondered whether such procedure was in accordance with the Defence (Finance) Regulations. The announcement by the Financial Secretary, of April 23, 1947, after stating that no further gold import permits would be granted and outstanding permits are cancelled, continued:

"The public is reminded that under paragraph 3 of the Defence (Finance) Regulations, every person resident in the Colony who is or becomes entitled to sell or procure the sale of any gold shall offer that gold, or cause it to be offered, for sale to the Government at a price to be determined by Government.

"This power may be invoked in respect of gold imported after this date."

Originally gold imports were allowed because Government was persuaded by businessmen to influence the then high gold market prices in the interest of generally lower price tendencies in the Colony by licensing gold imports. Actually, Mexican gold imports affected the local bullion market and prices receded.

Banks and bullion dealers reaped very good profits from the import and sale of gold, which was purely incidental.

The financial authorities, however, were not well advised as to the continued issue of gold import licences which were made out at an extent far in excess of the requirements of the local market. On the other hand, the local gold market is closely linked to the gold markets in China, particularly in Canton. Most of the coins and bars imported into the Colony were from the start intended by the importers for direct sale to Canton, Hankow and other cities. Thus the import of gold into China was declared illegal, for the sole benefit of the gold import monopoly of the Central Bank of China, was only realised when Chinese authorities approached, and probably reproached, the local authorities suggesting that further gold imports into Hongkong should not be permitted.

Open Funds in New York.

At the same time it became clear that the open funds otherwise available for Hongkong import requirements in New York suffered considerable losses, altogether on account of gold imports about US\$ 18 million, which affected the open market rate for T.T. New York. It is in the interest of the local community to decrease the quotation, if possible, of the open funds rate in New York so that imports into Hongkong can be made at a cheaper cost. The permission to import gold contradicted therefore these obvious interests, and, in spite of some very energetic demarches by financial circles greatly interested in this profitable business, such permission was discontinued last autumn, after about 100,000 tons had been granted import licence.

The logical step for bullion importers was then to import gold into Macao. Although Hongkong Govt. already was aware that gold purchases in Mexico and the U.S. had to be paid for from open funds in New York, transit permits for Macao-consigned gold were given. The consequence was a high and firm rate for US\$, notes, drafts and T.T.

Fortunately, for the opponents of gold imports, direct or in transit for Macao, the collapse of the gold market in China (following the prohibition of gold transactions in China on Feb. 17) changed the whole position in Hongkong. Gold could no longer be shipped into China since market quotations there were, as from middle of February, either lower or about at par with local market rates. Since Hongkong bullion dealers were thus caught and most of them compelled to sell quickly, they shipped many of the gold coins and bars, originally intended for smuggling into China, to Siam and India. That the export of gold is prohibited by Hongkong Govt. has never caused any concern on the part of the bullion circles here. Only questions of market rates and costs of transportation were considered.

The Present Position.

For the last 2½ months the local bullion market was depressed and quiet. Slowly the overbought position was, with or without losses, liquidated. The chaotic conditions in China generally and on the financial markets have recently however, stimulated the Hongkong gold dealers who regained interest in new gold imports. Hongkong Govt., which is now more concerned about the disposal of US\$ funds, has, therefore, issued the above-quoted announcement.

No reversion of the present prohibition of gold imports can be expected until the "hard currency" position of Hongkong has materially improved, that is to say until the open funds rate has come down by a decrease in demand for open funds in New York.

The local gold market may quote higher rates as a consequence of this attitude of the local Govt.; the real influence on the local gold price comes, however, from the China markets. Provided that Canton pays better prices than Hongkong, local rates will follow suit. The demand and supply of gold in China determines the rate of gold bars in Hongkong.

Hongkong Govt. was motivated in the initial gold import business only by genuine considerations for assisting commercial and financial activity in the Colony, and the local authorities do continue the support of business by not closing the various unofficial financial markets. The public gold and silver exchange (which transacts foreign banknotes and T.T. as well) is not at all an organisation which, if the Defence (Finance) Regulations would be correctly interpreted and applied, could expect to operate as it does at present and has been doing so since the liberation of the Colony. It is clear to all observers that the authorities here are sincerely anxious to promote business for the benefit of the whole community. The import licences for gold granted in the past are a case in point.

Silver Exports From Hongkong

Total silver exports during the first quarter of 1947 aggregated a value of HK\$ 16,469,000. All exports were directed to India. In 1946 total silver exports valued \$31 million. Silver bars for the Jan./March period valued \$9,963,000, silver dollars \$770,000, and subsidiary coins \$5,726,000. Silver shipments during March were the smallest, valuing only \$150,000.

Official and Unofficial Foreign Exchange Markets

Since Hongkong is a Free Port, and non-interference with the free flow of trade has always been a maxim here, the operation of a foreign exchange control is in itself contradictory to the above proposition. However, exchange control was designed as an emergency measure but never intended to assume a permanent character. The great benefits derived by Hongkong from its admission into the sterling area, which include stability of the local currency, free convertibility of sterling and the facilitation of trading opportunities in more than half of the world, have to be balanced against the discomforts arising from continued Government control over hard currency inward and outward remittances.

So far the control has been very liberal and anxious only to assist local trade; the observation of the principle of active promotion of the Colony's entrepot trade has caused here the apparent condonation of the unofficial exchange markets.

As long as a certain minimum amount of hard currencies, especially US\$, was collected by the commercial (or associated) banks and turned over to the Exchange Control there was no reason for any tightening of, or actual application of the Defence (Finance) Regulations. The right to enforce these Regulations apparently fell into abeyance.

During recent months the Exchange Control has not been able to obtain an amount in hard currencies adequate to cover the very necessary import requirements from such countries as the U.S., Canada, Sweden and Switzerland. Practically all US\$ export bills evaded collection through local banks, that is they were sold in the black or unofficial exchange markets. At the same time, remittances from overseas Chinese, living in hard currency countries, fell off again on account of sales of drafts in the unofficial instead of the official market. The about 20 per cent. to 25 per cent. difference between the official and unofficial exchange rates tends to divert, and quite naturally so, almost all hard currency receipts (from export bills or Chinese family remittances) into the "black" market.

The solution to this hard currency problem posed by the incongruous operation of a practically dormant official exchange market and the Government Exchange Control confronted by a very active and continually expanding unofficial exchange market lies in the following alternative:

1. Enforcement of at least some sections of the Defence (Finance) Regulations, a measure which, of course, would to some extent reduce the Colony's entrepot trade.

2. Compromise between the principle and realities. Free operation of all commercial banks of the Colony (the member banks of the Exchange Banks Association) in the unofficial exchange market; buying and selling of US\$ notes, drafts, export bills at the fluctuating open market rates, as well as conducting exchange business in America through branch offices or correspondents at the daily rates as quoted by the free market in New York.

Combined with this participation of the licensed banks in the open exchange market would have to be enforced an effective control over sterling remittances into and out of Hongkong so as to prevent the abuse of the position of Hongkong as a Free Port and Far Eastern entrepot centre by speculators and otherwise irresponsible financiers in the sterling area.

The merchants in this Colony would greatly benefit from such new policy of the local banks and the unreliable "outside" exchange market would become completely deserted.

At present many ad hoc financiers of foreign trade, ignorant but rich individuals with the help of some native banker, inter-merchant clearing rings and the like are the buyers and sellers of hard currency in the local market. Such irregular financial market lends itself to abuse only too frequently.

If the licensed banks in the Colony will take over the open market exchange transactions they will perform a public service of great value. Not only the community as such will profit from it, rates will be less erratic and "squeeze", now so rampant and so unabsorbed, will be stamped out, but the banks can judiciously guide foreign trade by choosing those clients to whom exchange should be sold for the purchase of goods only; financial speculators and Chinese flight capitalists could be left to look after cover elsewhere.

Under such conditions, when transactions in hard currencies can be attended to by all licensed banks which would be tantamount to a limited and, as it were, controlled open exchange market, there would arise neither any need for any obligation on the part of the Bank of England to supply even the smallest amount of US\$ from the current drawings from the American Loan. In any case, however, an allocation of US\$ ex the American Loan would be illogical since such money would only be used for increasing Hongkong's resources for financing imports from the U.S. which would only to a small part relieve local import requirements, if any; it is our Far Eastern neighbours who stand to profit from such allocation.

Overseas Chinese Family Remittances.

As far as hard currency remittances are concerned it is only the US\$ drafts which are of interest in the local market. Estimates as to the volume of these family remittances vary much; a monthly average of US\$ drafts sent to China via Hongkong may be around US\$ 3 to 4 million, depending on seasonal fluctuations. Most remittances from the U.S. are, as also before the war but even much more so after beginning of 1946, put on the route through Hongkong.

In their understandable desire to obtain for their relatives at home the highest possible value, the Chinese in the U.S. avail themselves of devious methods in order to by-pass both Chinese and Hongkong Govt. exchange regulations which, if observed, would deprive the recipients in China of a considerable portion of the actual remittance value. The Chinese official exchange rate for US\$ is unacceptable except during a few weeks every year when the official CN\$ devaluations periodicaly bring the official and black market rates on a par level. Usually the black market rate in Shanghai for US\$ is about 100% higher than the official rate of the Central Bank of China. The Hongkong official exchange rate is about 20 to 25% lower than the average open market rate. Only those overseas Chinese in America who are ignorant of actual conditions continue mailing drafts directly to Chinese banks.

The remittance business has been well organised by the black markets all over China and in Hongkong. Naturally, the recipients, who greatly benefit from the existence of the black markets, are cooperating. It seems unfair to the recipients and to the remitters to deprive them, through exchange regulations which are based on fixed rates, of the true value; however, the law and regulations of any kind are not compassionate.

Overseas Chinese have, together with their friends and relatives in China, developed many forms of remittances; the most popular method is the purchase of bankers' drafts on New York or San Francisco which are then mailed to Hongkong for eventual exchange into HK\$ or CN\$ at the current unofficial exchange rate. Some Chinese are paying into a New York account of their Hongkong friends who then sell their regular accumula-

tions on the local black market, deriving the highest profit from such transaction since the telegraphic transfer from New York account fetches the best price in Hongkong, usually 5 to 10% over the current US\$ drafts quotations. A good number of Chinese in San Francisco dispatch, in lieu of drafts, airmail or surface mail parcels to their relatives which contain mostly luxury articles which sell at a wholesale price commensurate with the average T.T. New York black market rate. Rich overseas Chinese are not satisfied with the customary standbys like fountain pens and plastic novelties but ship instead a motor car. In previous months bank notes were also sent out here by registered mail, the senders taking good care to put "brand new" notes of \$20 or 10 denominations into the envelopes after having been advised by their friends that these notes command a slight premium over the crumpled and creased varieties.

The "black" exchange brokers are actually victims of circumstances; many probably like even to think of themselves as very useful and indispensable members of society. Without their services and constant canvassing and enlightenment the recipients of overseas remittances would be less happy than they are today.

US\$ Export Bills.

The existence and smooth operation of the local "open funds" market has attracted sizeable quantities of China produce which otherwise would have either been sold at an only very small profit or even loss, or could not have been shipped away; and much tung oil for instance, the leading produce export, may not have been produced at all if not for the local unofficial exchange market.

Hongkong's average monthly proceeds from exports to the U.S. aggregates between US\$ 3 to 4 million, of which an increasingly large portion (probably now some 80-90%) bypasses the Exchange Control. Our trade with the U.S. usually results in an unfavorable balance, calculated on the 1947 average approximating US\$ 1 million or a little over per month.

The supply of family remittances is more than adequate to make up this balance.

There should accrue regularly a US\$ surplus on the local unofficial exchange market but either on account of heavy gold imports, Shanghai flight capitalists or "outsiders" muscling in on the local exchange resources, there always seems to be more demand for US\$, with the consequence of a high T.T. New York rate. On the other hand, the T.T. New York rate is only to a small degree influenced by local exchange requirements; the rate is determined by the easier or tighter sterling position in New York. As the unofficial cross rate in New York quotes sterling at a discount of about 23 to 25% compared to the official rate, the HK\$ is liable to suffer the same fate. If the cross rate in New York improves, the HK\$ rate would automatically improve as well.

Hongkong has been quite fortunate that an unofficial exchange market was condoned in the past, and Chinese merchants know and appreciate it. The flood of luxury goods displayed on all corners of the city and the glut of motor cars all over the Colony are the best evidence for the advantageous position which Hongkong achieved due, partly, to the liberal handling and actual non-interpretation of the Defence (Finance) Regulations.

It is rather embarrassing to see an increasing number of Chinese flight capitalists coming to the Colony and either grasping a share in the exchange market, thus inducing an additional element of competition in the black market, or only utilising their funds to play the market. As much as Government here wishes to cooperate with China, it is impossible to interfere with immigration of Chinese, poor or rich, ex-puppet or bureaucrat.

The Chinese authorities should be expected to be properly qualified to stop emigration to any part of the world, including Hongkong. In the case of foreigners in Shanghai who desire to leave China a great many formalities are demanded to be fulfilled before an "exit visa" and "good conduct certificate" are eventually issued, not after delay of several weeks or, in case of Europeans without a Consulate or Embassy to back them up, even several months. Similar procedures might recommend themselves with regard to Chinese emigrants.

Foreign Exchange for Imports.

Although local importers are conversant with the exchange position as to hard currency funds they still keep on applying for US\$ allocations from the Exchange Control. It is, of course, realised that many imports can only be put through if official exchange is being allotted, that is to say if American imports are being subsidised. In most cases however, importers only think in terms of better profits when pestering the Exchange Control.

Although most importers by now must be expected to have been informed about the actual position in hard currency transactions, they nevertheless do not tire of filing applications which, after all, does not cost anything and may sometime, by a fit of generosity or oversight, lead to the windfall of "official exchange allotment".

Some merchants believe that London should provide US\$ in America if the local cupboard is bare. In such case the staunchest advocates of "Hongkong's retrocession" turn to His Majesty's most loyal subjects.

The Exchange Control is, most fortunately, overbought in US\$ but this "emergency fund" has not been built up for the dissipation in the interest of better profits of certain importers or import boosting of U.S. commodities.

Hongkong's Trade With the United States

Of all the hard currency countries America's trade is of most importance for the local business community. The excess of imports from the U.S. over Hongkong's exports to the U.S. has been considerable in 1946 (total imports HK\$119,565,000, total exports \$83,702,000, trade deficit \$35,863,000) but it promises for the current year to be about double the figure of last year.

Trade during the first 3 months of 1947 has been approximately 100% heavier than for a three months average of 1946. Figures for Jan.-March are as follows:—Imports HK\$58,935,000, exports \$43,303,000, trade deficit \$15,632,000. In the above figures only merchandise trade has been considered.

Since the resumption of trade between Hongkong and the U.S. after the end of war the following monthly returns were registered in the Colony:

Month	Exports		Imports	
	Value	HK\$	Value	HK\$
November, 1945	307,785	—	—	—
December, 1945	2,764,536	988,485	888,485	—
January, 1946	3,362,384	850,064	850,064	—
February, 1946	1,371,812	4,498,123	4,498,123	—
March, 1946	4,160,380	4,333,140	4,333,140	—
April, 1946	6,271,905	6,809,329	6,809,329	—
May, 1946	5,642,280	9,501,042	9,501,042	—
June, 1946	2,075,186	13,503,293	13,503,293	—
July, 1946	7,419,576	14,659,435	14,659,435	—
August, 1946	9,786,980	11,452,138	11,452,138	—
September, 1946	8,528,748	17,753,106	17,753,106	—
October, 1946	10,825,463	18,974,261	18,974,261	—
November, 1946	11,822,427	7,632,028	7,632,028	—
December, 1946	12,438,986	9,599,119	9,599,119	—
January, 1947	19,119,219	26,951,432	26,951,432	—
February, 1947	11,879,115	18,307,496	18,307,496	—
March, 1947	12,305,244	13,676,931	13,676,931	—

Tung (Wood) Oil Exports

Among exports to U.S. tung oil shipments figured very prominently in the past but during the last few months they have practically monopolised exports to America. For the Jan./March 1947 period about 66% of all exports were accounted for by tung oil, the value of which was HK\$28½ million while other exports for the same period only amounted to HK\$15 million (or 33%).

Exports of tung oil to the U.S.

	Piculs (60.479 kgs.)	Thousands of HK\$
January		
in drums	22,817	4,584
in bulk	44,633	8,528
February		
in drums	5,394	1,162
in bulk	29,919	6,549
March		
in drums	11,151	2,154
in bulk	19,209	5,483
	133,123	28,460

All oil in bulk went to the U.S. while some oil in drums was also shipped to other countries during the Jan./March period, viz. to U.K. for a value of HK\$3,825,000, to Sweden \$1 million, to Italy \$296,000, and to Australia \$666,000.

Other Exports from Hongkong to the United States:

	Jan. (in thousands of HK\$)	Feb.	Mar.
Cassia (South China)	208	116	49
Cassia (Saigon)	262	184	44
Cassia Oil	151	23	23
Tea Seed Oil	199	331	478
Chinese Medicines	245	211	165
Gallnuts	170	312	168
Jam, Preserves (not ginger)	325	70	17
Chinese dried meat	244	18	27
Wolframite	128	—	—
Antimony reg. & crude	784	348	320
Pepper	154	360	220
Bristles	669	589	29
Embroidery & Lace	285	2	16
Feathers	193	282	260
Rattan (core, peel, & seagrass furniture)	369	170	187
Camphor	—	187	—

The above and few other articles (like f.i. firecrackers which were exported to a value of \$1.4 million) were the main items on Hongkong's export list. Cassia, cassia oil, tea seed oil, antimony and bristles are, next to tung oil, the mainstays on the export list.

Exports of Bristles from Hongkong

A total of 922 piculs, valued at HK\$1,287,000, were shipped to U.S. during the first quarter (471 piculs in Jan., 426 piculs in Feb., 25 piculs in March). Other recipient countries for the first quarter 1947 were Australia (5 piculs, \$9,000), U.K. (26 piculs, \$18,500) and Siam (4 piculs, \$2,800).

Imports of bristles into Hongkong were very much smaller than exports. For the first three months of 1947 total imports of bristles were: 23 piculs from Malaya, and 106 piculs from South China, valued together at \$136,000.

HONGKONG GOVERNMENT LOANS

The following three Government loans are outstanding:

- 1.) 4 percent Conversion Loan of 1933, for \$4,838,000 repayable at par in 1935; annual interest amounts to \$153,520, interest coupons are payable at Feb. 1 and Aug. 1.
- 2.) 3½ percent Dollar Loan of 1934 (1934 Loan issue), for \$14 million; repayable by annual drawings at par on July 15 in each of the 25 years commencing in 1941 at the annual rate of one twenty-fifth of the issue, i.e. \$560,000. Last drawing in 1941 until which time seven annual drawings, consuming \$3,920,000, were paid. This year the outstanding drawings for the years 1942-1946 will be paid which will consume \$2,600,000, leaving \$7,280,000.

Interest coupons are payable at Jan. 15 and July 15.

- 3.) 3½ percent Dollar Loan of 1934 (1940 Loan issue), for \$11,760,000; repayable by annual drawings at par on July 15 in each of the 25 years commencing in 1941 at the annual rate of 1/25th of the issue, i.e. \$472,000. Last drawing in 1941; the outstanding 5 annual drawings (1942-46) will be paid shortly. The actual outstanding balance as on Dec. 31, 1941 was \$5,761,000 only as a part of the Loan was not circulated.

The total public debt of Hongkong amounts, after deduction of the 1942-46 drawings, to \$17.6 million.

A tabulation of Government Loans' interest and redemption payments and estimates for 1946/47 was published in our issue of Jan. 15, page 29.

The current market quotation for the 4 percent Loan is \$107½ and the 3½ percent Loan \$103½, both buyers.

The flotation of a new Loan in 1947 is expected within a short time. The issue may aggregate \$100 millions, and the annual interest is expected to be 3 to 3.5 percent.

HONGKONG PUBLIC DEBENTURES

Only one public debenture has been floated here. The Hongkong Land Investment & Agency Co., Ltd. authorised a debenture issue on Oct. 1, 1934 for the amount of \$5 million which was to be redeemable at par from Sept. 30, 1944 onwards by giving six months notice. The first issue of the debentures totalled \$2 million at 4 percent interest to be paid March 31 and Sept. 30. The issue has recently been called up for redemption on or before Sept. 30, 1947.

THE POLICY OF INFLATION IN CHINA

The common explanation heard with regard to the current depreciation of the Chinese dollar in terms of gold, foreign exchange and commodity prices is that "the people have lost confidence in the Chinese Government"; in more straightforward language it means that the public does not trust in the bona fides of official statements, promises and regulations.

The record of the Chinese authorities during the 20 months period following the end of war has been utterly discouraging for their own people and for all friends of China. Whilst some apologists maintain that it was only sheer incompetence and amateurishness on the part of the governing authorities in Nanking which could not prevent the steady deterioration of the social and economic life of the nation, other observers—mostly Chinese financiers and well-seasoned foreign residents—claimed that the policy of monetary inflation has been utilised, in bad faith, to bring about the concentration of national wealth in the hands of the governing few; that is to say that inflation was a means to the expropriation of the many for the almost exclusive acquisition of national assets in the hands of the privileged few.

It has been the aim of the ultra-conservatives in the Kuomintang to monopolise production and distribution, communications and foreign trade; in this aim the ruling party in China has been to a large extent successful. What passes under the name of bureaucratic capital and enterprise is all fully controlled by the Kuomintang's various cliques; although there are natural jealousies and struggle for supremacy inside the core of the Nationalist Party, it remains nevertheless a fact that all important mines, factories, distribution organisations, financial institutions, communication lines are either directly owned by the National Govt. or by members of the two or three leading factions of the Nationalist Party.

The process of accumulation of national wealth and control has been quicker than most observers anticipated, largely on account of the planned inflationary policy of the Government.

Spokesmen of various Ministries, high officers of the Government and inspired statements have persistently called on the people to reduce commodity and foodstuff prices or, at worst, to hold the line. Nanking issued repeatedly freezing orders for salaries, foodstuff prices, essential services costs; even the living cost index was commanded to cease climbing, and promises were made that, from this or that particular day on, no further price increases would be allowed. Such decrees sounded very impressive, and achieved nothing. As historic lessons had proved already not even the ancient Persian kings were successful in commanding the sea to turn calm.

The Chinese seas of labour and popular unrest were and are very tempestuous. No economic witchcraft can bring back the halcyon days. No secret police and concentration camp threats can work miracles.

The increase in uncovered paper money circulation and the increase in prices of domestic and foreign goods is a pro rata development. The amateurish economists of Nanking were obviously convinced that, while economic laws cannot be changed even by Sons of Heaven, a fabulously profitable business could be operated by churning out ever increasing quantities of CN\$ (being tickets entitling Government to purchase goods and obtain services) and simultaneously keep down prices and wages.

In this effort the authorities were successful only as far as they were concerned; the people have been effectively robbed of the fruits of their labour. Those merchants and experienced business men who always clearly understood the financial policy of the Government, have been able to survive with their possessions intact, and many have, together with the bureaucrats, made fortunes out of the price and general economic instability consequential to inflation.

The masses are naive and quite dumb. They had to defray the bill. They have seen their savings evaporate, and their daily surplus earnings are always liable to be wiped out. The common people believed official declarations and announcements purporting to stabilise prices and arrest inflation. Every time the people were deceived, and the planned expansion of uncovered note issue proceeded and so did, with or without a time lag, most prices in the country.

The note issuing Central Bank of China refuses to publish the returns of its note issue. In all civilised countries the bank note issue is regularly announced in the press. There is no reason for preventing the Chinese people from knowing what the note issue amounts to, and how big the weekly additional note issue is.

It is, of course, obvious that the Government can operate the "economics of inflation" only if the people are kept in the dark about the high and progressive degree of inflation. All price-stop and wage-freezing decrees and pious declarations as to the stabilisation of the people's livelihood would only arouse hilarity if the weekly additional bank note issue were published, preferably on the same page with the "freezing" orders.

The facts always leak out and the Chinese financial and commercial circles, wise to the reckless abuse of the printing press by their Government, seem now to be even one step in advance of the inflationary avalanche. But the common people are buried under it.

It is a fact that the deficit of Nanking's household has recently been covered to 70% by printing of new money. It is also a fact that wages and salaries in Shanghai have been frozen at their January 1947 level. Labour unrest is about the meekest thing to expect.

After Feb. 17 (fixing of new foreign exchange and gold rates accompanied by outlawing of transactions in them, and the active participation of secret police organs in suppressing black market dealings) Govt. spokesmen pointed out how the current budget would now be balanced, implying that inflation of money need no longer be resorted to. They explained that Govt. will sell its enormous properties which accrued from victory over the Japanese and their puppets, with a sprinkling of German assets. The value of the properties apportioned for public sale was given at various occasions with a dozen or over a dozen of naughts but so far, it appears, this sale scheme has yielded exactly one naught. Then there were to be floated a loan and treasury notes for the total amount of US\$ 400 million; the subscription to this loan is still on and, again according to Govt. spokesmen and apologists, its success is overwhelming.

One of the leading Chinese commercial banks in Shanghai however, in a fit of disgust no doubt, revealed at the beginning of April through its Chairman that the inflationary note issue was progressing at record speed. Even without this warning the public could not have failed to see the torrent of new notes bursting daily from the vaults of the Central Bank although they might find it idle to speculate on the weekly or monthly increase of the CN\$ circulation.

In the face of the depreciation of money in China all estimates become meaningless. The Nanking budget of some 9 trillion CN\$ was true last January but it is unrealistic today and will be nothing but a sad reflection on the viciousness of inflation if the final accounting will be made at the beginning of 1948. Similarly all erudite essays on industrial output in terms of CN\$, prices of agricultural produce, financial schemes for this or that development in China, trade returns, etc. lose their value and interest at the same rate as the value of the CN\$ shrinks.

Under such conditions it is questionable whether economic research work is of any use in present-day China. Let the man-made typhoon wreak its havoc, and when the national barometer indicates the eventual passing of this great affliction of the Chinese people, a new period of cooperation between the world and China can be inaugurated. Until then economic research, and investigations and planning as to future financial and investment developments must be shelved.

E. J.

The Hongkong Tung Oil Market

The average price of tung oil for export last week was HK\$184 per picul of 133.3 lbs. The New York price, in tank cars, f.o.b. New York, was quoted recently as high as 37½ US cents per pound which quotation however, was nominal only and no transactions at that price took place. On April 25 New York quoted 32 cents but also this price was more or less nominal, actual transactions having been done as low as 29½ cents. The market in New York was slumping, and buyers kept off, expecting a steady level of 29 cents.

The local price (f.o.b. Hongkong) per pound is about HK\$1.40. It all depends on the unofficial rate of exchange whether the tung oil exporter can still ship his cargo to U.S. HK\$1.40 would equal, at last week's average T.T. New York buying rate in Hongkong, about US\$0.28 (calculating at the rate of HK\$5 per US\$1). At the official exchange rate, one pound of tung oil would equal US\$0.35. Exports of tung oil to U.S. are therefore only possible if the T.T. New York rate here remains at least at the current level of about 5. If the slump in tung oil prices in New York will last, exports are altogether impossible. The profit margin has narrowed down to almost nothing.

Large shipments were made by tung oil exporters here on consignment. The oil on arrival in New York proved, in a number of cases, unsaleable on account of the declining market there. Some exporters had to sell and to take a loss. There is currently a fair quantity of unsold tung oil waiting for buyers in New York.

Tung oil highest price (f.o.b. Shanghai or Hongkong) in 1946 was 35½ US cents per pound (in bulk), the lowest price 34½, and the average price for December 1946 was US\$0.35½.

Local tung oil exporters were the principal suppliers of open funds in New York as derived from export bills. During the first 3 months of 1947 an amount of approx. US\$6 million accrued in New York from tung oil sales there. The local unofficial exchange market can dispose on the average US\$2 million per month which amount results from sales of tung oil in the U.S.

CHINA'S TRADE WITH AMERICA

During 1946 the volume of United States trade with China outdistanced every other country's trade; the U.S. took from China, according to the Chinese Customs statistics, 38.71% of her exports, and shipped to China 57.16% of all her imports. America's share, however, was even larger; much China produce was shipped from China to Hongkong destined for ultimate delivery to the U.S., and vice versa, heavy American exports either were only consigned in name for Hongkong and actually unloaded in Shanghai (entering China without Customs cognisance) or shipped to Hongkong in transit for China.

While Chinese Customs returns are necessarily not complete particularly on account of import & export smuggling, the trade returns of the U.S. Government are much more accurate and can supply a more reliable picture of U.S.—China trade.

From the point of view of the enormous totals of U.S. foreign trade China did not figure prominently in 1946, and the outlook for an expansion of U.S.—China trade during the current year is not at all encouraging. Excluding America's supplies to China of UNRRA goods (American sector) and lend-lease, China's cash purchases in U.S. during 1946 amounted to 3.7% of total cash sales of the United States. China's exports to U.S. amounted only to 11% of total U.S. imports.

America's Trade in 1946

In 1946 the U.S. exported goods valued US\$ 9,741 million, of which US\$ 8,072 million were cash sales, \$653 million for lend-lease, and \$1,015 for UNRRA supplies. Against the prewar average (based on the figures for the years 1936, 37, 38), exports in 1946 were up 225%, since U.S. exports in prewar amounted to US\$ 2,966 million.

American total imports in 1946 amounted to US\$ 4,806 million, or up 66% against a prewar (1936-38) average of US\$ 2,488 million.

The favourable balance of trade of the U.S. in 1946 amounted to \$3,137 million for cash transactions only (and \$4,806 million if UNRRA and lend-lease exports are included); the prewar favourable balance amounted to US\$ 478 million only.

U.S. Trade with China

In 1946 the U.S. exports to China, according to Washington figures, amounted to US\$ 297 million, which contrasts with the prewar (1936-38) average of US\$ 43.7 million; the increase of U.S. exports to China in 1946 as against the prewar average amounts to 580%.

U.S. imports from China during 1946 amounted to US\$ 92.7 against a prewar average of US\$ 75 million, which means an increase of only 32%.

In 1946 the U.S. had a favourable balance of trade with China, amounting to US\$ 204.3 million. In other words, the U.S. shipped to China 220% more goods than the U.S. imported from China.

In prewar years the U.S. recorded an unfavourable balance of trade with China which aggregated about US\$ 31.3 million (for the annual average of 1936-38). In other words, the U.S. in prewar years imported 70% more goods from China than the U.S. exported to China.

The whole pattern of trade between America and China has changed after the war, and it is difficult to perceive any signs for an improvement of the trading position for China.

CHINA PRODUCE PRICES IN AMERICA

New York Quotations on April 25:

	US\$
Cassia Oil, per lb. F.O.B. New York	3.50/4.00
Aniseed Oil, per lb. F.O.B. New York	0.80/1.00
Antimony, American, 99½ percent grade in bulk of carload lots, F.O.B. Texas	0.33
Bristles, F.O.B. New York, per lb. as follows:	
Hankow, Regular Assortments	3.60
Chungking, Regular Assortments	2.50
Shanghai, Regular Assortments	1.90
Tientsin, short 55's	3.80
Tientsin, regular 55's	5.95
Sandalwood Oil, in drums (depending on sellers' quantity & quality)	16.50 to 17.00
Tung Oil, in tank cars, per lb. F.O.B. New York	0.32

HONGKONG QUOTATIONS: (April 25)

Cassia oil	HK\$1,340 per picul (133.33 lbs.)
Cassia lignea, unselected	154

America's mass-producing export industries have advanced during the last few years to such extent that competition on world markets by other also highly industrialised countries becomes an ever tougher proposition. The undeveloped and backward Oriental markets have received the full impact of commercial attention by U.S. manufacturers and exporters, and U.S. sales pressure is ever-present in China as elsewhere in the Far East.

On the other hand, China has progressed only in plans and schemes on paper while actual advance in agricultural and industrial production has been, except in very few instances, nonexistent; this in spite of the re-occupation of Taiwan and Manchuria, and the seizure of all Japanese industrial and other installations and investments.

That U.S. exports to China increased by 580% and imports from China only by 23% and that the balance of trade between these two countries was completely reversed, proves the utter inequality in U.S.—China trading relations. While China is, if her Government would not interfere very actively, anxiously bent on purchasing consumer goods in U.S. which are, without exception, of better quality and far cheaper price than anything produced domestically, the U.S. market for China's exports is very limited: it always comes to the old standbys of tung oil, bristles, some wolfram ore and sundries exports.

In spite of seemingly vigorous efforts made by Nanking for expanding exports abroad, which to a large percentage means the U.S., the fundamental difficulties cannot be changed within a year or even five years. The whole backward economy of China, and the constantly progressing scope and methods of production in U.S. cannot be brought into commercial harmony. The balancing of trade between U.S. and China, which is the program and the desire of the Nanking Government, may be regarded with sympathy in Washington but it cannot be realised. The gap is too wide.

The total exports from the U.S. to China in 1946 amounted to US\$ 465 million, of which \$297 million were cash sales (against a prewar average of \$43.7 million), and \$27 million for lend-lease, and \$136 million for UNRRA supplies. China's share of UNRRA supplies (American sector) in 1946 amounted to 13½% of the total (viz US\$ 1,015 million) which is a very good share. Lend-lease supplies were small in 1946, amounting to 4% only of the total (US\$ 653 million). The many hundred million dollars worth of American supplies delivered to China in 1946 under U.S. military surplus arrangements do not figure in Washington trade records.

Comparison with Chinese Customs Figures

The total of China's imports from U.S. in 1946, according to Chinese Customs figures in CN\$, computed into US\$ at the official exchange rates of the Central Bank of China (with due consideration to the three different official rates prevailing during 1946) amounted to about US\$ 345 million, against the official American figure of US\$ 297 million. The difference between the Chinese Customs and the U.S. figures is only apparent; actually the figures tally. The U.S. figure represents f.o.b. prices while the Chinese Customs based their calculation on the c.i.f. price (which, on the whole, is about 10% higher than the f.o.b. American port price) while, at least in Shanghai and probably in Tientsin, the price of imported goods was calculated not as per invoice but based on the wholesale market price prevailing at the time of landing in Shanghai. The difference between the Chinese and the American trade figures amounts to 15% which is wholly attributable to the above two reasons (c.i.f. or Chinese wholesale market valuation).

China exports, however, to the U.S. amounted only to US\$ 62½ million, according to the Chinese Maritime Customs, against the U.S. figure of US\$ 92.7 million. The difference is very large. To a small extent, at most 10%, it can be explained by the Chinese f.o.b. and the American c.i.f. Valuations, that means that Chinese exports valued US\$ 62½ million f.o.b., and about US\$ 69 million c.i.f. American port.

Chinese goods valued at least US\$ 23 to 24 million have been smuggled out of a Chinese port (mostly Shanghai, Tsingtau and Tientsin) in 1946 destined for the U.S. The American figure for imports from China, viz US\$ 92.7 million, is correct from which fact follows that the Chinese Customs were unable to, or prevented from, recording exports to the U.S. during 1946, valued at about US\$ 23 to 24 million; in other words, American imports from China in 1946 were only to about 65% registered by the Chinese Customs while some 35% of Chinese exports to the U.S. left China without acknowledgement by the Chinese Customs.

Trade Between the U.S. and Hongkong

America shipped to Hongkong goods valued US\$ 46.6 million during 1946, against a prewar (1936-38) average of US\$ 16.7 million. The monthly totals for July through December 1946 were (in millions of US\$): 5.5; 5.6; 2.7; 2.6; 5.3; and 11.5.

Actually the American exports to Hongkong, according to the figures of Hongkong Government (Imports & Exports Dept.), amounted only to about US\$ 32 million. Hongkong imported from the U.S. merchandise valued at Hongkong \$119.5 million and gold bullion valued HK\$ 7½ million, making a total of HK\$ 127 million, or an equivalent of US\$ 32 million.

There is a difference of about US\$ 14 million. To a rather small degree it is explained by the lack of truthful declaration by importers of certain types of goods from America, especially those commodities which are dutiable here (like tobacco & cigarettes, alcoholic beverages, hydrocarbon oils) and pay according to the value (ad valorem) of the imported goods. The watchfulness of the local authorities has, however, strongly curtailed such abuses and, if import values are given suspiciously low, the real value of dutiable imports is simply assessed.

The difference of about US\$ 14 million is due to the untruthful declaration of exporters in the U.S. who have been advised by their business friends in Shanghai and other Chinese ports that a large quantity of certain unessential and luxury U.S. exports destined for China should be declared as consigned for Hongkong. When American ships, on their way to Hongkong first stop at Shanghai, much cargo which is consigned for Hongkong has been unloaded in Shanghai. U.S. exporters also frequently consign exports to China for unloading either at Shanghai or Hongkong. The Chinese Customs are either not aware of such cargo, or, if unloaded from American ships in the harbour of Shanghai or, if they knew they were not in a position to intervene.

In this connection it should be well understood that smuggling in China is not at all surrounded by romantic exploits by daring Robin Hoods or blockade running gangs (although they are very much in evidence as well) but by powerful groups with highest connections, both with the civilian (i.e. the Party) and the military authorities. In such event the Chinese Customs feel, of course, absolutely disarmed; but this remark should not be construed to imply that the Chinese Customs service is distinguished, by & large, by perfect integrity.

The Trade Between the U.S. and Japan

U.S. exports to Japan in 1946, all on a government-to-government basis, amounted to US\$ 101 million against a prewar (1936-38) average of US\$ 244 million; this figure, however, included America's trade with Korea and Taiwan. American imports from Japan aggregated US\$ 109.8 million, against a prewar average of US\$ 167.5 million (again including Korea and Taiwan).

Under the present circumstances of greatly restricted trade between Japan and the rest of the world, these figures have been regarded by SCAP as satisfactory. Trade did not develop in 1946 but during the second half of the year, i.e. just about 10 or 11 months after the surrender of the Japanese. To judge by the expansion of trade during the first three months of 1947, trade returns of the current year will exceed 1946 figures about of three to four times. However, proper expansion of Japan's international trade can only be expected after the permission by SCAP to resume private trading with all countries, and particularly after the formal signing of the Peace treaty with Japan.

Chinese Maritime Customs Figures

All statistical information in regard to China's trade as controlled by the Chinese Customs has, since the reorganisation and centralisation of Returns work in 1932, been compiled in Shanghai at the Statistical Department of the Inspectorate General of Customs, which receives the Statistical Copies of all Customs declaration forms for Imports, Exports, etc.

The following classes of goods arriving in China are not included in the Import statistics: (a) Commodities passed duty free for Embassies, Legations, Consulates, and Foreign Armies, Navies and Air Forces; (b) Personal effects and parcels brought in by passengers for private use, with the exception of any dutiable contents thereof, which are included under the statistical classification concerned; (c) Commodities entered into Bond (included as Imports if ultimately withdrawn from Bond for import); (d) Supplies imported by charitable organisations and passed free of duty by special order of the Government (except UNRRA supplies, which are separately recorded.)

The following classes of commodities leaving China are not included in Export statistics: (a) Personal effects and parcels taken by passengers for private use, with the exception of any dutiable contents thereof, (b) Shipments abroad *ex Bond*.

Countries of Origin and Destination: Imports are classified according to the place or country declared by the Importer and verified by the Chinese Consular Invoice and other relative documents.

Exports are credited to the country of declared destination; "optional" cargo, to the country first indicated.

Tin Metal Allocation for Hongkong

The Combined Tin Committee has allocated on Jan. 23, 1947, in respect of the first half year of 1947 an amount of 150 long tons of tin metal to Hongkong. A further allocation for this period will probably not be given on account of world shortages.

The original world tin allocation for Jan-June 1947 amounted to a total of 10,915 tons, to which was added a further interim allocation of 6,785 tons, making a total for the first 6 months of 1947 of 17,700 tons.

When the Combined Tin Committee announced on January 23 the interim allocations of tin metal which had been recommended for the first half of 1947, it was stated that at a later date substantial additional quantities of tin would be available for allocation for the first half of this year. The estimates on which this statement was based have since been revised and show a deterioration in the supply position which may be summarized as follows:

Malaya: The rehabilitation of the mining industry in Malaya has been slower than anticipated and current recovery of production has been seriously handicapped by a shortage of coal among other factors.

Netherlands Indies: Recovery of production in Netherlands Indies has also been retarded by shortages of coal as well as shipping facilities.

Siam: Exchange problems have thus far made procurement of tin allocated during 1946 from Siam so difficult that it is not anticipated that Siam will be an effective source for new procurement during the first half of 1947.

Japanese Stock: Of almost 10,000 tons of tin found in Japan, 6,000 tons have already been allocated by the Combined Tin Committee. The remaining quantity will be reported for allocation as soon as the protracted task of working and sampling is completed.

China: Although it is expected that more tin will be available than hitherto, production in China is far below pre-war levels, owing to economic and transportation problems.

Belgium: Production is reported to be increasing.

The Committee is not in a position to predict how soon the supply position will improve. It can only point out that the coal shortage may be temporary, and that the new equipment which is being provided for the Netherlands East Indies may be expected to increase output by the end of this year. The Committee points out that the relatively large allocations made in 1946 were possible because there were then available substantial stocks, including metal found in Malaya, Netherlands East Indies and Japan, at the end of the war.

No such "windfalls" are likely to be available in 1947. Demands for allocations for the period January to June, 1947, total almost 60,000 long tons, whereas new supplies available for allocation from all sources during this period total 17,700 tons. Since the first interim allocations for this period totalled 10,915 tons, there remain only 6,785 tons available for additional interim allocations. The Committee proposes to review the supply position again in May, at which time final allocations for the first half of 1947 will be recommended. There may by that time be a further quantity available for allocation from Japanese stocks.

EXCHANGE & FINANCIAL MARKETS

DECLINE OF THE CHINESE DOLLAR

Only 2 months after the drastic devaluation of the CN\$ (to 12,000 for US\$1) and the proscription of gold and foreign exchange transactions, a new crisis threatens the economic life of the people of China. The Chinese Govt. is, as the whole world now knows, incapable of gaining the confidence of the people, and it stumbles from one crisis into the next. Popular reaction to the mismanagement of the finances of the country by the Nanking bureaucracy is very blunt and usually not expressed in very printable terms.

It has become a fatuous subject to deal with the vicious monetary inflation in China. Although nobody has any illusions about the methods and practices adopted by the financial authorities in Nanking, it is nevertheless surprising how violent and persistent is the flood of billions of Chinese paper money which is poured out onto the bewildered people. Time and again Nanking disclaims any knowledge of new issues having been printed, and responsible statements made by the financial authorities in Shanghai often denounce the "rumour mongers" who spread lies about the progress of inflation. But when the time comes of flooding the market with new bills of \$10,000 denomination, a bland official announcement explains the previous denunciations and denials away as follows: "At a request filed by the National Bankers' Association, the Central Bank of China has been authorised to issue \$10,000 denomination notes. The new issue aims at encouraging production and invigorating the circulation of capital." The last sentence sounds exactly as if some very sly and sarcastic phrase monger in Nanking wanted to discredit his superiors in the eyes of the Chinese and world public.

Indeed, capital was so "invigorated" that the black financial markets quoted record rates in Shanghai, Canton and elsewhere in the CN\$ empire. And production was effectively "encouraged" by the skyrocketing of all commodity prices. In addition to the new note issues, estimated at a total of one to two trillions, bank cheques of CN\$50,000, 100,000 and 200,000 will be issued by the Central Bank for general circulation.

Hongkong exchange markets quoted the following lowest prices for CN\$ during the week: spot HK\$225 (per one million), forward \$210, Shanghai T.T. \$170, Canton T.T. \$220.

New paper money came down to the Colony by the billions, and sellers of Shanghai T.T. were aggressive. It is no secret that among the sellers were a number of important officials of the Chinese Central and some Provincial governments. Shanghai flight capitalists operate also via Canton by bringing money down to Canton where they purchase HK\$ drafts. Of course, Canton merchants were also insistent buyers of T.T. Hongkong and HK\$ drafts. The Shanghai-Canton remittance discount fluctuated between 10 to 22 percent, usually about CN\$800 in Canton bought CN\$1,000 in Shanghai.

The black markets in Shanghai, during the secret police and arrests without warrant, quoted busily day by day; highest rates for US\$ moved around CN\$22,000 to 23,500 (almost double the official rate), HK\$ quoted CN\$4,000 to 4,500, and gold per troy ounce about 1.1 to 1.2 million CN\$.

Canton's official news release reported almost daily arrests, raids, detentions, "stern warnings", punishments from the financial centre of the city. Arrests have been allegedly made by the dozen, and dire threats are uttered in the Canton press which should, if the hardboiled business men of Kwangtung would be not so tough and intent to hang on to their money, have led to the obviously desired success, viz to prevent increases of exchange and commodity prices concomitant with the increase in the note circulation.

Under the impact of the violent deterioration of the Chinese dollar, the local native exchange market remained throughout the last week nervous and undecided about a new, temporary level. It seems that the CN\$ rate may come to a short rest at the past mid-week rates.

THE GOLD MARKET

Next to the sensational depreciation in the CN\$ rate, the announcement of the Financial Secretary as to the cancellation of outstanding gold import permits and his

reference to gold transactions being not in accordance with the Defence (Finance) Regulations (compare the article on local gold transactions elsewhere in this issue) have caused a great flutter in the market. All kind of interpretations were given to the announcement, and some speculators were convinced that Government will descend into the market and buy gold at an "official price".

However, the stalwarts of the trade were never misled into any imprudent actions, fully appreciating the non-interfering record of Govt., and only looking towards Canton as for the indication of higher or lower local prices. Canton is at present quoting somewhat lower, a consequence of the decline in the CN\$ value. Gold rose to over one million, later even to 1.2 million CN\$ but the HK\$ equivalent of a gold bar (tael) in Canton was still only 260-270.

Some Swatow merchants bought gold for shipment to Bangkok and Singapore but quantities involved were small. The forward speculation injected some activity in the market when a good number of shorts had to cover during the last few days of the week under review (April 21-26).

Shanghai gold prices were on the level with Canton (since the tael is about 20% heavier than the ounce troy, and the Canton CN\$ premium over the Shanghai CN\$ moved around 20%, Canton prices for the tael and Shanghai prices for the ounce were, throughout the week, almost the same in terms of CN\$).

The Shanghai black market transactions were decry by many Chinese officials but it is common knowledge that many of them take part in black market dealings themselves. It is only natural that they should do it seeing that their salaries are "frozen" at the January 1947 level while gold and commodity prices have, long ago, thawed up and entered, after the liquid, already the gaseous state.

HONGKONG BANK NOTE MARKETS

One pound sterling and 10/- notes sold at around HK\$14.40, while the denominations of £5 and over were irregularly quoted, according to the higher or lower amount required, from HK\$2.50 to 4.50 per £, i.e. £100 in notes of and over £5 were traded at HK\$250 to 450. An early clarification of this anomalous state of affairs when local British banks do not even purchase £1 notes, and larger Bank of England bills cannot be repatriated, is more than overdue.

I.C.\$ rates were slack and speculation was, for once, neglecting this counter. Rates moved between HK\$10.20 to 11.50.

The baht was quiet at HK\$20 to 204 (per 100 baht); the Nica gulder closed weak at about \$34 after once reaching 36, and the as yet unrecognised "old" Java gulder remained at HK\$26/27.

UNLICENSED WIRELESS TRANSMITTERS

In spite of several cases brought here before the Court, wireless operators who pick up and send out market reports and quotations on behalf of many private clients and banks in the Colony, seem to have expanded their activities here. Native bankers and money exchangers as well as many merchants in Hongkong obtain regularly financial and commodity reports, once or more often daily, both from Chinese and other Far Eastern cities (like Haiphong and Hanoi).

Tung oil exporters here, for instance, are continually informed about developments in producing and marketing areas in the interior of China, and the illegal wireless "news services" are well paid by these as well as other clients.

The CN\$ collapse of last week, with the almost hourly changes of prices in various cities of China, has caused the unlicensed operators to work overtime which, of course, did not pass unappreciated by their clients.

(Unofficial Exchange Rates as quoted in Hongkong for the week April 21-26 will be found at the end of this issue)

Hongkong Stock & Share Market

During the week under review (April 21-26) the market was again very active, with a large turnover in the more popular shares, and a very confident undertone. In many shares higher prices were recorded.

H.K. Banks changed hands at \$1,840, and Insurance shares readily taken at current rates. There is a sustained demand for these shares. Canton Insurances moved up within the week from \$425 to 460, and H.K. Fires which quoted cum dividend \$310 at the opening, were firm at \$315 ex dividend at the closing.

Public Utilities broke fresh levels with Electrics at \$50, Telephone 50, China Lights 15.75 and Trams 58½. Within the last trading week Trams improved by over 25%, Electrics and Telephones by about 15% and 10% respectively. Star Ferries rose from 108 to 118 with very little scrip offering. Yaumati Ferries were up from 27 to 32.

A large turnover was put through in Hotels which went up to \$24.75. There is no reason why these shares should not continue to advance. Whether the Directors decide on making a return of capital, which many shareholders expect but we consider imprudent, or not remains to be seen; at any case a substantial dividend is reported to be considered by the Company since good profits have been made both in current business and through property sales. The Realty Co., having sold the Lido and Bungalows at Repulse Bay, are making a distribution of \$6 per share from their profits.

China Providents were very actively traded and a good volume of business was put through. Wharves were also strongly in demand but the share is a heavy one and small investors find it difficult to obtain small parcels. Were the minimum lot split into 20 or 10 shares the smaller fry would have an opportunity of an interest in the Company. Docks were also active and moved up to 31½, while the new share rights after trading 3.75 closed as high as \$7.

The shares of the various Stores made moderate gains. Lane Crawford's closed \$39. This Company has already paid an interim dividend of \$2, and with a final dividend in the near future of at least a similar amount the shares appear to be definitely on the low side.

Cements had a further rise to \$25 when the news transpired that the Company had disposed of a parcel of land for which \$700,000 were paid. This transaction was considered as very favourable for the Company.

Almost everybody in the market reports of the arrival of new money in the Colony. It is evident that many people from Shanghai who have come to the Colony like to keep Hongkong shares in preference to currency, irrespective of the consideration of dividend payments and the earning capacity of a local company.

The plethora in the money market has already led to some banks refusing the acceptance of fixed deposits against annual interest. The current rate of interest for deposits fixed for 6 months and one year is 1% and 2% respectively. The share market has profited by the persistent and increasing glut in the monetary position. People who never thought of buying one or two lots of shares are now anxious to invest their savings in public shares which not only promise a fair return on capital but also considerable enhancement of the money sunk into shares. However, the increasing demand by investors must lead to a scarcity in scrip offering in many of the active shares. Quick profit-taking speculators are at present much more welcome than the "share hoarders" (investors).

The expected commencement of trading in new shares, especially rubber plantations, will expand investment and speculative business. Many Shanghai investors are anxious to resume their prewar trading in rubber shares. There are already, according to reliable information, several millions of HK\$ waiting for the opening of trading here in rubber shares.

Hongkong Sharebrokers

Two new applications for the acquisition of a Seat at the Exchange were received by the Committee of the Hongkong Exchange Ltd. The most welcome application came from Mr. C. D. Culbertson, partner of the American firm of Swan, Culbertson & Fritz, of New York, Manila, Singapore and Shanghai, a company which has been the most prominent enterprise in China in investment banking, securities, shares and international commodities. The other application was sent in by Mr. Lee Shiu-kan (111 Wang Hing Building). With the admission of Messrs C. D. Culbertson and S. K. Lee, and the acceptance of membership applications by four previous applicants (Messrs H. S. Young, H. R. Malcolm, K. H. Louis and K. L. Lui), the total membership of 60 will be reached, and no further applications can be considered.

The death occurred last week of one of the oldest members of the Exchange, Mr. J. T. Bagram. His seat will at a later date be taken over by a new member.

Daily Trading at the Exchange

The market expects the early announcement of a draft bill which will provide for the removal of all restrictions which at present hamper trading and the transfer of share certificates. The respective Ordinance will partially lift the Moratorium as far as it applied to trading and transfer.

Meanwhile the Exchange has, since four months, semi-officially operated in its large Trading Room and, with the appointment of a Secretary (Mr. J. H. Seth) and the amalgamation of the two exchange organisations of prewar days which took place last March 1, business has resumed its normal character. Regular morning and afternoon sessions are held and the appearance of the Trading Hall has changed for the better, equalling now any modern Share Market in financial centres of the Far East. The current schedule of the Exchange is 2 hours trading in the morning and one hour in the afternoon.

As was published in our issue of April 16, page 188, a total of 60 shares are listed here, of which about half are active shares with the rest more or less inactive at the moment. The Sticking List of the Exchange (compare the same issue of April 16) should require some revisions in order to assist smaller investors. Many minimum lots are far too large. The Committee of the Exchange would be well advised to regulate in a more realistic way the present Board lots.

It is expected that at a later date, i.e. after regularisation of share transfers by a Government Ordinance, the daily business volume will be recorded which at present is not the case. However, daily quotation bulletins are issued by the Exchange and distributed to all interested parties.

At the same time, the customary trading usances will then be re-introduced. Trading will proceed as before when buying and selling orders were carried out in accordance with firm orders such as at fixed limit, at market rate, good until cancellation, good only for one or two trading days, etc.

The listing of new shares and some bonds will probably almost double the present number of active and inactive listed shares, and is expected to lead to a considerable increase in the daily turnover.

Hongkong's sharebrokers can look into the future with justified confidence as a prosperous share business is assured.

The Real Estate Market

The largest transaction in the Central district following the purchase of the Crown Land lot next to the Hongkong Bank building (cf. previous issue, p. 193) by the Bank of China, was the sale of the site of the former Masonic Hall, Zetland Street, off Queen's Road. The building site measures 16,940 square feet and the purchase price was \$900,000, which corresponds to a cost of \$53 per square foot. Considering the prominent location, although not directly on the thoroughfare, and the recent estimate advanced by real estate brokers for prices of land in the business centre of Hongkong, the purchase price of \$63 must be regarded as very favourable for the buyer who was the H.K. Electric Co., Ltd. The Company will erect a modern building where the city sub-station and the meter department will be transferred. The upper floors will be reserved for quarters of employees of the firm.

The sellers of the site (Inland lot No. 31) will use part or all of the proceeds to erect a headquarters for the Masonic Lodges of Hongkong (at 1, Kennedy Road).

Marina House stocking up is well advanced and future tenants may be able to move into the 3 new stories before October.

Some Crown lands are present for sale on the southern side of the Island in not very desirable locations. Prices per sq. foot are \$1 and 75 cents respectively.

The scarcity of office space has led to further increases of illegal key-money payments. In several Chinese owned office houses in the business centre changes of tenants have taken place after large key-money amounts were paid down by the new tenant partly to his predecessor and partly to the landlord. Shops in the two main roads of the Island, in or near the business centre, are required to pay considerable amounts before a new tenancy agreement is made. A fashionable shop which a few days ago opened for business in Queen's Road Central paid a sum of \$75,000, of which the previous occupant of the shop premises obtained \$50,000 with the balance going to the land company.

HONGKONG STOCK EXCHANGE

Quotations on 26th April, 1947.

	Stock	Buyers	Sellers	Sales Apr. 25	Previous Sales
H.K. Govt. Loans					
4% Loan	107½	—	—	—	—
3½% Loan	103	—	—	—	—
Banks					
H.K. & S. Bank	1,840	—	1,840	—	—
H.K. & S. Bank (Lon. Reg.)	—	—	—	—	110½
Chartered Bank	—	—	—	—	12.1/16
Mercantile Bk. A. & B.	—	—	—	—	20½
Bank of East Asia	102	—	—	—	—
Insurances					
Canton Ins.	—	—	460	—	—
Union Ins. China	760	—	—	—	—
Underwriters	—	1	—	—	—
H.K. Fire Ins.	315 ex Div.	—	—	—	—
Shipping					
Douglases	215	—	—	—	—
H.K. & M. Steamboats	—	11	—	—	—
Indo Chinas (Pref.)	—	—	—	—	100
Indo Chinas (Def.)	—	—	—	—	280
Shells (Bearer) Union	—	—	—	—	105½
Waterboats	49 c. Rts.	—	49	—	—
Do.	27 x. Rts.	—	—	—	—
Docks, Wharves, Godowns, etc.					
H.K. & K. Wharves	—	240	255/45	—	—
H.K. Docks c. Rts.	31	—	30½/31½	—	—
China Providents	23½	—	22½/24	—	—
Shai Dock-yards	11½	—	—	—	—
H.K. Docks x. Rts.	27½	—	27½	—	—
Mining					
Raub Mines	—	—	—	7	—
H.K. Mines	7 c.	8 c.	7 c.	—	—
Lands, Hotels & Bldgs.					
H. & S. Hotels	24½	24½	23/23½	—	—
H.K. Lands	—	—	96	—	—
Shai Lands	4½	—	—	—	—
Humphreys Estates	—	—	—	ex. Div. 28	—
H.K. Realities	24½	—	23½/25	—	—
Chinese Estates	190	—	—	—	—
Public Utilities					
H.K. Tramways	—	58½	58½/58	—	—
Peak Trams (Old)	9	—	—	—	—
Peak Trams (New)	—	—	—	4½	—
Star Ferries	115	—	—	—	—
Yaumati Ferries	32½	—	—	—	—
C. Lights (Old)	15½	15½	15.70/50	—	—
C. Lights (New)	11½	11½	11½/4	—	—
H.K. Electrics	48½	49½	47½/50/49	—	—
Macao Electrics	18½	—	19	—	—
Sandakan Lights	—	—	—	7½	—
Telephones (Old)	49	—	50/49½	—	—
Telephones (New)	31	—	31	—	—
Industrials					
Canton Ices	6½	7	—	—	—
Cements	24½	25½	23½/24½	—	—
H.K. Ropes	15½	—	15	—	—
Stores, &c.					
Dairy Farms	58½	—	59½	—	—
Watsons Lane,	46½	46½	47/46½	—	—
Crawfords	38½	—	39½	—	—
Sinceres	8½	—	8.80/90	—	—
China Emporium	—	11	—	—	—
Sun Co., Ltd.	—	—	—	6½	—
Kwong Sang Hong	225	—	—	—	—
Wing On (H.K.)	100	—	—	—	—
Wm. Powell, Ltd.	3	—	—	—	—

Hongkong Land Investment & Agency Co., Ltd.

The Company held its 55th ordinary annual meeting on April 21, at which the following Report of the Directors was approved: The net profit for the year, after providing for amortisation of Crown Leases and the replacement of buildings by writing off, amounts to \$1,097,812 which has been credited to Profit & Loss Appropriation Account.

After allowing for the debit brought forward from 1945 there remains a balance of \$392,722 which it is proposed to deal with as follows:—

To pay a Dividend of \$2 per share, \$600,000; to transfer to General Reserve Account, \$38,125; to transfer to Contingencies Reserve Account, \$200,000; to pay a bonus to Staff, \$16,000; to carry forward unappropriated \$78,597.

The working profit from properties amounted to \$1,170,349, and from Gloucester Hotel to \$317,693. In addition, a profit of \$1,182,001 was realised from the sale of 5 properties, viz. 2 partly destroyed lots in Wanchai and a small section of devastated property in Yamati. The sale of these holdings, which were producing little or no revenue and which, on the basis of 1941 rentals, were not worth repairing at present-day building costs, provided a large part of the purchase price of Union Building, bought in October last.

Steady progress has been maintained in repairing most properties. Unnecessary or premature expenditure has been avoided, since beginning of 1947 the Company had to undertake large-scale repairs to the exterior portions of older buildings in the Central District.

Contracts have been placed for the construction of three additional floors on Marina House. This project is the least costly scheme for providing much needed office space in the Central District.

In order to provide for this capital expenditure, the balance of the present nominal capital of the company, amounting to 100,000 shares of \$25 each will be issued. The new shares are offered at a premium of \$25 each, making \$50 per share in all. The new issue will provide additional funds totalling \$5,000,000 which will be applied partly to the redemption of the 4% Debentures (amounting to 2 million) and to reducing the bank overdraft (amounting to \$744,314) and partly to meeting the cost of the extension to Marina House, so that by the close of the year all of this new capital will be fully employed.

The Company is the largest individual owner of office buildings in the Colony. Its assets are very much undervalued. Fixed assets (land, buildings, fixtures, hotel furnishings) total as per Balance Sheet at Dec. 31, 1946 \$17,968,370.

The capital of the Company amounted previously to \$10 million authorised (400,000 shares of \$25 each), and \$7½ million issued (300,000 shares); it has been decided by the General Meeting of Shareholders that the new paid up capital will amount to \$10 million, and authorised capital will be increased by \$40 million, by creating 1,600,000 new shares of a nominal value of \$25 each, to a total of \$50 million.

The Company's reserves totalled by the end of last year \$6,700,000.

The market quotation is at present, ex dividend, \$96/98.

Directors of the Company are: Messrs. D. F. Landale (Chairman), A. Raymond, M. K. Lo, S. T. Williamson and H. D. Benham.

Miscellaneous

China Entertainments	—	—	—	28½
H.K. Constructions	—	—	8	—
Vibro Piling	5½	—	—	—
Marsman Investments	—	—	—	13/3d.
Marsman, (H.K.)	1/8d.	—	—	—

Cottons

Ewos	—	—	—	10
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COMPANY REPORTS

HUMPHREYS ESTATE & FINANCE CO., LTD.

At the ordinary annual meeting of the Company, held on April 24, for the accounting period of 16 months (Sept. 1, 1945 to Dec. 31, 1946), a dividend of \$1 per share of \$10 was approved (current market value \$28). The Directors' Report was published in our April 2 issue, page 173. The issued capital amounts to \$2 million (200,000 shares of \$10) and the authorised capital to \$3 million; the Company will issue later in the year the balance of the authorised capital of \$1 million.

The Company is at present reconditioning a block of 30 flats on the Peak which will be ready for occupation in June. Two other sites on the Peak will be developed later. Several properties of the Company are under requisition by the Military authorities and their early release should increase the earning record of the Company for the current business year.

Directors of the Company are: Messrs D. E. Clark (Chairman), N. O. C. Marsh, J. M. Alves and M. H. Turner.

HONGKONG FIRE INSURANCE CO., LTD.

At the 74th ordinary meeting of the Company on April 24, the Hon. Mr. D. F. Landale, the Chairman, stated the following:

The results of the Company's working for the year 1945 which we now present to you can be considered as very satisfactory, the account having run off with a credit balance of \$823,826, the fourth best we have had. This is the more gratifying in view of the fact that premium income fell by \$299,811 as compared with that received during the year 1944; this drop in revenue is due chiefly to decline in our Sterling operations following the resumption of hostilities.

When compared with the year 1944, losses work out at 36.64 per cent. as against 33.48 per cent. charges were up slightly from 34.74 per cent. to 34.94 per cent., the percentage of profit resulting being 28.42 per cent. as compared with 25.78 per cent.

The balance at credit of 1946 Working Account, after twelve months, is \$856,495, a slight increase on that for the year 1945 at the same period. The Account discloses an increase in premium income of \$116,356 and a rise in interest of \$36,710 as compared with that for the previous year. The former is due in the main to resumption of operations in the Far East and the latter, to interest received on Hongkong mortgages and local shares. Charges show a material increase but this is to be expected following the reopening of Head Office with its attendant administrative costs. It would be yet premature to speculate on the final result of the 1946 Account, but we are hopeful that it will run off reasonably well.

The surplus to be dealt with is \$823,826, the balance of the 1946 Account, and we recommend the payment of a dividend of \$8 per share, absorbing \$320,000, and the appropriation of the balance of \$503,826 to Reinsurance Fund.

Our reserves continue in a sound position, the only one calling for special mention being the Investment and Exchange Fluctuation Account, which shows an increase of \$690,696 over the figure for last year. This is brought about by the appreciation in the market value of our Investments as December 31, 1946. It is to be hoped that such a condition of affairs will continue, though there are signs of wilting in the prices of Sterling securities.

Reference was made last year to the restrictions imposed by the Chinese Government on the issue of policies and the remittance of premiums and of the effect it was having on our operations in China. I regret to say that the situation has not improved since that time.

THE CANTON INSURANCE OFFICE, LTD.

The General Agents and Consulting Committee of The Canton Insurance Office Ltd. will make the following recommendations at the forthcoming Ordinary Yearly Meeting of Shareholders to be held on May 9:

1945 Account: To pay a Final Dividend of \$7.00 per share absorbing \$350,000 and to transfer \$1,607,168 to the credit of Underwriting Suspense Account.

1946 Account: To pay an Interim Dividend of \$5.00 per share on account of the year 1946, absorbing \$250,000 and to carry forward the balance of \$2,572,441.

CHINA LIGHT & POWER CO., LTD.

The 24th ordinary yearly meeting of shareholders of the Company was held on April 12, for a period of 13 months (Sept. 1, 1945 to Sept. 30, 1946). The balance of loss carried forward from the previous business year ended Aug. 31, 1945, amounted to \$1,421,961. The 13 months ended Sept. 30, 1946 resulted in a net profit of \$1,165,014. The resulting balance is a loss of \$255,947 to which has been added \$500,000 as reserve against contingencies. The net deficit therefore amounts to \$755,947 which has been carried forward to the next accounting period.

Directors of the Company are: Messrs A. Raymond (Chairman), L. Kadoorie, H. Kadoorie, H. D. Benham and M. K. Lo.

The authorised capital of the Company amounts to \$25 million in 5 million shares of \$5 each; the issued capital amounts to \$13,207,225 in 3 million shares. Total fixed assets as per balance sheet amount to \$9,520,000. Current assets \$5,023,249; current liabilities \$6,446,961, among which figure Consumers deposits with \$1,396,906, and overdraft with the H.K. Bank of \$1,502,807.

The gross profit from Working Account for 13 months amounted to \$1,788,029.

DIVIDEND PAYMENTS

China Provident Loan & Mortgage Co. Ltd.: 75 cents dividend, and 25 cents bonus, making \$1 in all, per share of \$5 (current market quotation \$24).

Hongkong Realty & Trust Co. Ltd.: \$6 per share of \$10 (current market rate \$25) as distribution derived from profits realised on property sales and investments during the business year ended April 30, 1947. (Annual meeting on May 28).

Union Insurance Society of Canton Ltd.: s 27/6 d per share to be declared at the annual meeting to be held on May 20 in Sydney (current market rate \$480).

Malayan Rubber Statistics for 1946

The total quantity of rubber produced in Malayan estates and small-holdings in 1946 was 403,207 dry tons, of which 173,515 tons came from estates and the balance, 229,692 tons, from small-holdings. The rubber was distributed as follows:—Perak, 32,084 tons; Selangor, 33,198 tons; Negri Sembilan, 22,795 tons; Pahang, 11,413 tons; Penang and Port Wallisley, 3,079 tons; Malacca, 11,223 tons; Johore, 31,450 tons; Kedah, 25,167 tons; Kelantan, 2,300 tons; Trengganu, 584 tons; and Perlis, 162 tons.

Rubber Imports: During 1946 imports of rubber totalled 34,327 long tons, of which Sumatra supplied 23,861 tons; Burma, 1,150 tons; and Siam, 9,316 tons. Details of the rubber imports are as under:—

Country of Origin	Dry rubber		Wet rubber	
	Smoked sheet	Unsmoked sheet	Wet lump	Scrap
Sumatra	21,819	17	2,024	1
Burma	1,111	—	39	—
Siam	8,928	212	128	48
Total	31,858	229	2,191	49

Rubber Exports: Exports of all grades of rubber in 1946 totalled 305,840 long tons, of which 305,646 tons was sheet and crepe, and 194 tons latex, concentrated latex and reversion (dry rubber content). The chief destinations of the sheet and crepe rubber were the United Kingdom, 89,388 tons; Canada, 23,714 tons; Australia, 2,683 tons; New Zealand, 55 tons; Belgium, 51 tons; Cuba, 75 tons; Italy, 375 tons; Finland, 200 tons; Denmark, 1,673 tons; Norway, 814 tons; Sweden, 3,055 tons; Mexico, 2,600 tons; Spain, 550 tons; the United States, 103,635 tons; Argentina, 5,613 tons; Hong Kong 133 tons; China, 1,194 tons; the Union of South Africa, 6,245 tons; Czechoslovakia, 750 tons; Switzerland, 174 tons; and "destinations unknown," 62,669 tons.

RUBBER QUOTATIONS

Singapore and Penang quoted last week for spot, loose, Straits \$0.43½. No price was available for May shipment. July shipment, f.o.b., quoted 44½ cents. The undertone of the market was steady but transactions were few and far between.

The Industries of Kwangtung

(Part Two)

2. THE SHUNTE SUGAR REFINERY.

The refinery, located at Yungchi, in the Shunte district, is the best equipped and biggest factory of the province. It is also the only one that produces refined granulated sugar. All the machines and installations were designed as a unit by Skoda (Czechoslovakia). The factory possesses four big mills and employs 1,300 workmen. No machines were lost, as the factory was operated by the Japanese during the occupation and work was resumed on December 10, 1945 after some minor repairs. As the factory has no sugar-cane plantations of its own, the cane has to be purchased on the barter system: the farmers supply the factory with sugar cane and are paid for it with sugar. The official barter rate is one picul of cane against five catties of sugar. (During the Japanese occupation, the rate was one picul of sugar cane against 7 catties of sugar.) (1 picul weighs 50 kilos, 1 catty = 1 kilo). The cane growers suffer a loss as one picul of sugar cane gives 10 catties of sugar. In other words, for every picul of sugar cane purchased the factory makes a profit of five catties of sugar. The cane growers when getting their sugar also have to pay the tax on it. Besides, there are difficulties in transportation, selection and weighing of sugar cane, as well as other sources of unnecessary damage and loss.

The average daily production of white granulated sugar and orange squash is 1,025 and 409 shih tan respectively. Calculated at the purchasing price of sugar cane set by the factory, the factory ought to return to the sugar cane growers 69,550 piculs of white granulated sugar. In other words, the gross income of the factory is 53,414 piculs or 43% of the total sugar production, plus the 49,000 shih tan of orange squash and several hundred thousand piculs of bagasse (crushed residue of cane). The profits from the orange squash alone are enough to cover salary and wages of the staff.

At present, as foreign sugar cannot be imported on a large scale, the southern provinces are supplied by that factory alone. In an effort to increase production, the factory has established eight sugar cane plantations in Kwangtung. The factory is still facing a shortage of sugar cane. The harvest of Shunte, Chungshan, Panyu, Nanhai and Tungkuan will reach 450,000 piculs. With this supply the factory expects to be able to produce 120,000 bags of 180 catties each during the season starting from November 15, 1946.

3. THE TEXTILE FACTORY

Located at Fangtsaoel, Honam (Canton), it was the largest of its kind before the war in Kwangtung. It was originally divided into cotton spinning and weaving, hemp weaving, silk weaving and woollen weaving departments. Most of the machines were damaged. After V-J Day, the factory had only 3,200 cotton spindles. It resumed work on Jan. 28, 1946, and has a staff of more than 400. At first, owing to lack of capital and the high cost of raw materials, the factory spun cotton yarn only for some private firms, paying wages by piece. From February to June of 1946, the average monthly production was 17,921 lbs. with a maximum daily production of 700 lbs. Later on, the number of spindles increased to 5,200, then to 7,000 between June and October and it is expected that it will reach 10,000 by 1947. Since June, the factory has begun to spin its own cotton.

The average daily production was 150 small bales. Large quantities of wool and hemp are being purchased for the re-opening of other departments.

4. THE BEVERAGE FACTORY.

The factory, located at Sichun in Canton, has resumed work since November 1, 1945, keeping a staff of more than 100 workmen. It possesses various equipments for making beer and aerated water. At first work could not be fully carried out owing to lack of raw materials such as malt essences, sodium bicarbonate, sulphuric acid, etc., all of which came from Shanghai or were imported. The factory had a good market throughout last summer. The daily production of beer or aerated water was about 7,000 to 10,000 bottles. From November 1945 up to Sept. 15th 1946, the factory produced 226,387

bottles of beer and 588,395 bottles of aerated water. On account of lack of raw materials, the factory has temporarily suspended operation and will not be able to resume work in the near future.

5. THE BREWERY.

This factory, located at Taipingyueh, Shanchen, was originally known as the Canton Alcohol Distillery. Since Feb. 1946, the enterprise has become a brewery under the management of the Kwangtung Industrial Corporation. It has three distillators, two boilers, four water pumps, a steam engine and seven fermenting vats constructed of bricks and timber. The raw materials such as orange squash were supplied by the Shunte Sugar Refinery. From March to August 27th, it produced 98 suma tan (=61,584 kilos) of alcohol and 23,449 suma tan of "Hua Tiao" (a light wine). The average daily production of the "Hua Tiao" is 130 suma tan. The wine market was greatly affected by the high cost of sugar and the brewery suspended operation in September.

6. ICE FACTORY.

This Factory is on the Bund at Canton. Since its transfer to the Kwangtung Industrial Corporation, the latter has repaired most of the mechanical equipment, installing a new cold storage system and in the purchase of raw materials such as industrial salt, ammonia, etc. The factory now possesses complete ice manufacturing machines and cold storage appliances. It began work on August 15, 1946, the daily production being ten tons of ice.

The above six factories are the only provincial enterprises that still remain among the war torn industries of Kwangtung. Among them, the Cement Factory, the Shunte Sugar Refinery and the Textile Factory occupy the most important positions.

II. Factories awaiting Reorganisation

1. THE DOCKYARD.

The Dockyard is located at Honan on the southern bank of the Pearl River. As it does not possess enough machines, there are at present only about ten workers. Since demobilization the Dockyard has only been able to undertake salvage of ships for private firms. Built during the war by the Japanese, it was taken over after V-J Day. At present, the site of the Dock has not yet been definitely settled, and the equipment is simple and poor.

2. THE MAOMING SUGAR REFINERY.

The factory is located at Tsaoiking and is not within the reach of communications. Its equipment is simple and consequently its productive capacity is very small. The Kwangtung Industrial Corporation is making preparations either to lease the factory to private interests or to manage it jointly with private interests.

3. THE TUNGKUAN SUGAR REFINERY.

The refinery, damaged during the war, is at present repairing its compound and machines.

4. THE HEMP WEAVING FACTORY.

The factory was originally located at Shini. To facilitate its supply of raw materials, it has been removed to Meile where hemp is produced. Work will be resumed very soon and it is estimated that a daily production of 30,000 gunny bags will be reached.

5. ELECTRIC SUPPLY FACTORY.

It was originally situated at Lochang but is now at Canton. On account of lack of proper equipment and of raw materials, its production is not enough to meet the demand.

6. THE MACHINE WORKS.

The factory was originally at Lochang. It was divided into shops for moulding, founding, forging, machine and tool making and welding. Its chief products were different kinds of lathes, planes, drilling machines, charcoal furnace for gas making, blowers, bellows and agricultural tools. After demobilization, the machines that had been damaged during war were repaired. However, as the factory was far away beyond the reach of communications (in Lochang), it has been removed to Canton and a new compound is under construction.

7. THE PRINTING PRESS.

The factory was originally at Chukiang. During the occupation, it was completely destroyed. There were also losses of machinery. The remaining molds, types, etc., have all been removed to Canton for reinstallation.

8. THE CHEMICAL WORKS.

Actually it is a combination of the Sulfuric Acid and Soda factory and the Fertilizer Factory. As the machines of the two factories were mostly damaged during the war, the Kwangtung Reconstruction Department has established an industrial chemical factory to repair the damaged machines and the factory buildings.

9. THE SILK WEAVING FACTORY.

Plans are being made to remove all the machines back to Shunte. Repairs to the factory buildings are now being carried out and in the meantime, the factory is purchasing new machines and equipment.

10. THE INDUSTRIAL EXPERIMENTAL STATION.

This is an organization to examine and analyse various agricultural products as well as other raw materials for industrial use. Furthermore, it aims at the promotion of industries through research. Its establishment was first planned at Chukiang but was hindered by war. As it is very important for the promotion of provincial industries, arrangements are now in full swing so that the Station will be able to resume its functions in the near future.

11. THE NANSHITOU PAPER MILL.

Before the war, this was the biggest paper mill in Kwangtung. For this reason, after the fall of Canton, all the machines and equipment were taken to Japan. All that is left at present is empty buildings. The Chinese Delegation to Japan is conducting negotiations with SCAP for the return of these machines and equipment.

Criticism by Public

Besides the Cement Factory which is managed by the Kwangtung Reconstruction Department, all the provincial industries, under the management of the Kwangtung Industrial Corporation, have contributed to the rehabilitation of Kwangtung. Nevertheless, they are being criticized for being run too commercially. However, the maintenance of the existing factories is proving difficult. The Shunte Sugar Refinery is the only profit making factory. At present, the lack of capital and power supply, the high cost of raw materials and labour, plus the large imports have made the development and increase of production almost impossible. Most of the few remaining privately-owned factories have already closed down and it is feared that the provincial factories can hardly escape the same fate.

The Present Position in Taiwan

The island of Taiwan continues to be administered by a military governor (General Chen Yi) who rules the country with absolute powers. All administrative positions are held by Chinese officials (mostly from Shanghai and Chekiang, and a few from Fukien) with only a few Taiwanese who are holding inferior jobs.

The Chinese army and gendarmerie is in control of most of the island. Larger parts in the centre of the island, particularly in the mountainous regions, are held by Taiwanese and aborigines.

The position in Taiwan was reviewed in this paper in the following issues: December 13, p. 6; Jan. 1, pp. 6/6, and 15, p. 33; and March 5, pp. 126/7. Last Dec. 18 we stated inter alia: "The achievements of Chinese administration in Taiwan will represent a standard by which to judge the present government's efficiency and ability to manage so rich a country as Taiwan". The people's revolt of last March and the following massacre of the natives by the Chinese army has resulted in universal disapproval of the Chinese administration in Taiwan. The question of eventual independence of the island and its temporary control by the United Nations under trusteeship of the United States has been broached in the world press, especially in America.

The Taiwanese or Formosans have been treated and are being treated as vanquished people. After their unsuccessful emancipation revolt, which started last February 28, martial law had been declared and it continues to all intents & purposes in all parts of the island. Severe censorship is maintained over the very few publications which still are permitted to appear; otherwise the freedom of the press is completely suppressed. The military administration rules behind an iron curtain, and what news leaks out from Formosa arrives here through foreign sources in the island.

The present position is described as follows by observers on the spot:

The Chinese army, gendarmerie and the administrative personnel under the Governor, both as regards responsible officers and the rank & file, possess complete powers to requisition foodstuffs, premises, clothing, vehicles and commander services of the public. Most officials abuse their power by confiscating whatever properties of Formosans they require. Many wealthy and middle-class merchants have been completely expropriated.

The control of industrial production, sea and land communications, and foreign trade is entirely in the hands of the Governor or the officials and agencies entrusted by him.

The Monopoly Bureau owns and controls production of many essential goods, reference to which will be found elsewhere in this issue. The Trading Bureau serves virtually as the foreign trade monopoly of the island.

The military government owns and operates 31 industrial and communication corporations besides the public utilities. The only bank in Formosa, the Bank of Taiwan, is owned by the Central Government in Nanking. The 31 corporations include:

Heavy Industries: Mining and Industrial Equipment; Iron Works; Steel Works; Chemical Industries; Construction Industry; Ship Building & Engineering; Electrical Industry.

Light Industries: Textile mills; Glass factory; Paper manufacturing; Soap manufacturing; Printing; Medical & Surgical supplies.

Agricultural Industries: Sugar; Tea; Vegetable Oils; Dairy products; Pineapple; Marine products.

Furthermore life and elementary insurance is also monopolised by the government. Communications in cities and in the country are controlled and operated by the government.

The principle of trade between China and Taiwan is emphasised by exploitation of any exportable goods and produce both for requirements of the Central Government in Nanking and for sale abroad in order to acquire foreign exchange. In 1946 Taiwan had to export to China 725,000 tons of goods, and imported less than 50,000 tons from China plus about 150,000 tons of UNRRA relief supplies. Exports from Taiwan are, however, much larger since smuggling is carried out very actively. It is mostly Chinese officers and officials with their Formosan underlings who engage in the smuggling trade although also "free Taiwanese" are making a living in trading outside the government monopolies.

The emancipation movement has been forced underground but the "free Taiwan" propaganda is being organised both by the guerillas in the mountains and by the Taiwanese abroad. The political opponents of the Central Government in Nanking have been making much headway since the March massacres, promising the "free Taiwanese" Home Rule in the near future.

The Government Monopolies in Taiwan

When the Chinese Government took over the control of Taiwan from Japan (Sept. 1945), all monopolies were maintained by the new Governor General (General Chen Yi) which previously the Japanese Governor General exploited. The Provincial Government of Taiwan, established by the Chinese Central Government and composed of Chinese but not Taiwanese officials, controls and exploits the following monopolies: camphor, Alcoholic beverages, tobacco, matches and the making of weights & measures. There are together 19 factories, 8 corporations and one laboratory engaged in production and distribution of the above-mentioned articles. The control is exercised by the Bureau of Monopolies, directly under the Governor General. Attached to the Bureau is a Transportation Section and an Investigation Office.

The Taiwan people have demanded the abolition of the monopolies. They maintain that the exploitation of the people at present is much worse than the exploitation under the Japanese rule. However, all power is in the hands of the Governor who rules absolutely. The management of the monopolies is carried out in accordance with the requirements of the Central Govt. in Nanking which are: largest possible supply of Taiwanese products and produce for the needs of Nanking, both for consumption in China and for exports in order to obtain foreign exchange for the Nanking Government.

Following is a description of the monopolies in Taiwan:

I.—Camphor

This is an essential export of the Bureau of Monopolies. According to the estimate made in 1939, its production was equal to half of the total camphor production of the world, and had wide circulation in Britain, America, India, Germany, Australia and the Netherlands. The war put a stop to its export sales. During the war no protection was given to camphor trees which could be felled freely. The camphor stills were allowed to go to ruin; the camphor workers were dispersed and changed their profession.

The camphor stills were repaired last year and camphor workers were re-assembled. The payment received by the workers is based on the standard of current rice prices.

At present, there are 1,103 wood camphor stills, 350 fragrant camphor stills, and 3,114 workers. Up to last October, 172,051 kilogrammes of crude camphor, 442,409 kgs of wood camphor oil and 337,697 kgs of fragrant camphor oil had been produced.

There are four camphor factories in Taiwan: the Nanmen Mfg. of Taipei, the Camphor Refinery, the Camphor Oil Processing Co. and the Fragrant Oil Chemical Industrial Co. The two former are occupied in redistilling and refining camphor; the latter two produce by-products of camphor, such as perfumery and oil.

Up to November, the Nanmen factory produced 447,857 kgs of Kai-yi camphor, 227,284 kgs of refined camphor, 86,591 kgs of "white oil" and 88,297 kgs of "red oil".

In the same period, the Camphor Refinery produced 207,148 lbs. of camphor blocks ($\frac{1}{4}$ ounce), 82,586 lbs. of camphor slabs and 327,652 lbs. of camphor powder.

With the resumption of activities after the war, Govt. Monopoly representatives were sent to Britain and India for surveys and to resume connections. Of late, letters have been received continually from British, Indian and American merchants, asking for orders to be filled. Up to November 1946 the products sold totalled 20 metric tons of slab camphor (transported to Hongkong and Shanghai), approximately 45 metric tons of $\frac{1}{4}$ ounce camphor blocks and 100 metric tons of camphor powder.

II.—Beverages

The breweries attached to the Bureau of Monopolies are the Taipei Beer and 12 other breweries. With the exception of two breweries all suffered great damage.

Up to October last year, the production of the various alcoholic drinks amounted to 178,980 hectolitres and 120,000 kilogrammes of beer. Alcoholic beverages include wines, craudies, liquors.

The "White Dew" is most popular wine among the Taiwanese. For this reason, this wine is the most essential product of every brewery, the production being over 60% of the total production of the various kinds of drink.

The most necessary raw material for brewing is rice which was distributed by the Japanese. But since last year cane-sugar, honey and sweet potatoes have been used to replace rice, as Taiwan has been for some time on the brink of starvation. The alcohol content has been regulated, being fixed at 15% to 30%.

III.—Tobacco

The two tobacco factories attached to the Bureau of Monopolies are at Taipei and the Sungshan. They are quite well equipped and large. When the Japanese handed them over, there was still a large stock of tobacco leaves totalling some 2,895,000 kgs. The two factories produce cigarettes, tobacco, and cigars. Up to November, they produced altogether 1,506 million cigarettes, 460,172 kgs. of prepared tobacco and 385,075 cigars.

Within the tobacco producing areas, 26 "Improvement" associations have been established with members totalling 4,916 and planting areas totalling 60,000 Shih Mow (one mow equals 0.1647

acre). Every 10 families have an experienced technician sent by the Bureau as adviser on cultivation and all other technical procedures. Improvements in the quality of seeds are carried out by the Bureau's laboratory which also works on the methods of using fertilizer & insect prevention.

IV.—Matches

The match factories, situated in Taichung and Hsinchu, suffered great damage during the war, and on account of the present difficulties in transportation, production has been very limited. Only after June did production gradually increase from some 300 tons up to some 600 tons per month. Up to November 1946 total production was 5,748 tons.

Improvement has been made on the technical side. In the past sulphur was used, at present, however, wax oil is employed instead. Other elements for the mixing of the match head have also been adjusted. The poor colour of the match stick is still a deficiency which cannot be remedied. This is due to the fact that no good quality wood is available in Taiwan.

V.—Weights and Measures

During the Japanese occupation, the weights and measures factories were situated in Taipei, Tainan and Taichung all of which suffered great damage. Only the one in Taipei has been restored and resumed its activity. The production of the old Japanese weights and measures has been prohibited, new weights and measures have been produced after the standard model circulating in Taiwan.

The new standard was officially enforced in February last, and up to August, the production of measures of weight amounted to 100 units and that of measures of length to some 20,000 units. Production of measures of volume has ceased.

VI.—Distribution and Sales

During the Japanese period of rule, the goods were sold by the Bureau of Monopolies to the wholesalers who sold them to the retailers. From the retailers the consumers purchased. Such a system was deficient and enabled wholesalers to manipulate the market. The Bureau abolished the wholesale system on Jan. 1 last year, and raised the profits of the retailers. The retailers organised their own distribution and sales organs to obtain goods directly from the Bureau. There are about 7,000 retailers in Taiwan. Comparing this figure with the 6 million population of Taiwan, there is one retailer for every thousand inhabitants.

VII.—Revenue and Expenditure

Prior to June, all revenue was submitted to the Treasury directly from the organizations concerned. In July, this system was changed to that of submitting the revenue monthly to the Bureau of Monopolies. Up to November, the total revenue was 785 million Taiwan dollars, in which the contributions from tobacco and wine were the largest. The total expenditure was Taiwan \$ 725,463,135.

The establishment of the monopoly system in Taiwan has had a great effect on the provincial revenue. In the past, revenue of the monopolies averaged around 35% of the total revenue. In 1946, after China took over from Japan, they dropped to less than 11%.

Principal Chinese Exports

A complete list of Chinese exports during 1946 by groups of merchandise and articles under each group was published in our issue of April 2, pp. 175/6. The leading articles which China exported during 1946, with countries of destination, are given below.

Bristles and wood (tung) oil netted the Chinese Govt. and Chinese merchants the largest amounts of foreign exchange, while traditional Chinese produce such as tea and silk have, against prewar years, very much declined. Chinese silk and other embroideries as well as various knitted goods are, on account of the excessive cost of production in China, hardly competitive abroad which accounts for the relatively small exports. Tin, antimony and wolfram ore were shipped abroad in rather small quantities; however, considerable lots of these ores left China without Customs registration, a consequence of the foreign exchange regulations by the Central Bank of China which compels exporters to surrender the full amount of their export bills.

Following are detailed statistics of the leading Chinese export articles during 1946; values given are in millions of Chinese National dollars (the annual average exchange rate was CN\$ 2,750 for US\$ 1):—

Bristles	Kilograms	CN\$ (Millions)
Total	4,759,361	67,004
Australia	34,861	490
Belgium	15,726	173
British India	319	4
Egypt (incl. Anglo-Egyptian Sudan)	908	20
France	3,024	31
Great Britain	557,649	8,148
Hongkong	208,569	3,040
Sweden	18,581	175
U.S. of America	3,584,699	49,690
U.S.S.R.	329,622	5,172
Other Countries	5,393	56

Wood or Tung Oil	Quintals	CN\$ (Millions)
Total	352,638	67,998
Australia	20	6
Belgium	4,819	1,211
Egypt (incl. Anglo-Egyptian Sudan)	117	32
France	5,056	1,232
Great Britain	17,525	2,983
Hongkong	102,162	19,045
Macao	2,036	246
Norway	2,468	629
Sweden	6,905	1,687
U.S. of America	162,903	31,451
U.S.S.R.	40,105	7,066
Other Countries	8,622	2,395

White Raw Silk, Steam Filature	Kilograms	CN\$ (Millions)
Total	626,817	25,590
Belgium	19,391	896
British India	93,843	3,948
Egypt (incl. Anglo-Egyptian Sudan)	859	21
France	59,514	3,020
French Indo-China	1,510	105
Great Britain	8,208	422
Hongkong	41,699	1,185
Switzerland	20,523	1,086
U.S. of America	304,417	12,179
U.S.S.R.	76,854	2,724

In addition Raw Silk, not re-reeled and not steam filature, weighing 66,000 Kgs, valued CN\$ 1,783 millions, and re-reeled silk weighing 112,000 Kgs, valued CN\$ 3,044 million were exported in 1946.

Tea	CN\$ (millions)
Total	15,340
Aden	9
Belgium	134
India	3,620
Egypt (Incl. Anglo-Egyptian Sudan)	3,307
France	224
French Indo-China	3
Great Britain	2,113
Hongkong	1,285
Iran (Persia)	1,233
Macao	16
Philippine Islands	31
Straits Settlements and F.M.S.	400
Sweden	378
Switzerland	36
Thailand (Siam)	28
U.S. of America	1,287
Other Countries	1,222

The total quantity of all sorts of tea amounted to 66,000 quintals.

Salt
A total of 2,237,866 quintals of ordinary salt, valued CN\$ 8,499 million, and 244,342 quintals of refined salt, valued CN\$1,435 million, were exported in 1946. Practically all but 31,832 quintals, which went to Hong Kong, were shipped to Japan.

Wolfram (Tungsten) Ore
Practically all wolfram ore went to the USSR; the total export aggregated 49,330 quintals (valued CN\$ 5,912 million), of which 43,737 quintals were shipped directly to the USSR, and the rest of 5,593 quintals to Hongkong from where most of it was sent again to the USSR.

Tin Ingots & Slabs

The annual export went to 100 percent to Hongkong; 15,599 quintals, valued CN\$ 6,235 million. From Hongkong most of this tin was shipped to USSR.

Antimony Regulus

Total exports amounted to 47,329 quintals valued CN\$ 3,543 million. Canada took 4,000 quintals, France 3,500, Hongkong 37,829, and other countries 2,000 quintals.

Hair-nets, made of Human Hair

	Gross	CN\$ (Millions)
Total	332,463	5,700
Australia	1,944	56
Belgium	1,660	69
Canada	12,681	291
Great Britain	500	13
Hongkong	75	—
Mexico	149	4
Straits Settlements & F.M.S.	139	1
Sweden	649	15
Switzerland	200	5
U.S. of America	312,585	5,214
Other Countries	1,881	26

Cross-stitch work and embroideries, valued CN\$ 9 billion, the largest buyer was America which bought for over 7 billion, followed by Canada and Hongkong. Lace and trimmings were exported to a total value of 2 billion, with the U.S. being the principal customer. Other yarn, thread, plaited and knitted goods were principally bought by Canada, Hongkong, India.

Piece goods, made of silk, cotton, rayon, wool and mixed, aggregated CN\$ 16 billion; the main buyers were India, Hongkong, followed by Malaya, the U.S. and France.

THE IMPORTS OF CHINA

China's imports of merchandise in 1946 amounted to a value of CN\$1,501,165 million, the computed equivalent value of which would aggregate US\$605 million. Imports are classified under 32 groups of merchandise and a total of 483 articles.

The trade figures of China for 1946 were published in our issue of March 26, pp. 154/5, both by countries and by groups of merchandise.

Detailed statistics for China's exports in 1946, by names of articles of merchandise, were published in our issue of April 2, pp. 175/6. China's exports are classified under 31 groups and a total of 356 articles of merchandise.

Following are the 1946 returns of China's imports by main groups and articles of merchandise, giving the quantity imported and the value in millions of Chinese National dollars.

GROUP I: COTTON PIECE GOODS, GREY

	Millions of CN\$
Shirtings & Sheetings, grey	2,620,265 metres 3,269
Drills & Jeans, grey	32,282 " 21
Imitation Native Cotton Cloth	4 quintals 3
Cotton Canvas & Duck, grey	158,700 metres 378
Cotton Piece Goods, grey	167,753 " 71
Total of Group I:	3,743

GROUP II: COTTON PIECE GOODS, WHITE OR DYED

Shirtings, Sheetings & Irishes, white, plain	3,168,612 metres	2,168
Drills & Jeans, white	337,125 "	377
Cambrics, Lawns, Muslins, Mulls, Jaconets, Victoria and Swiss Checks, Lappets, Limbrics, white or dyed: not over 92 cm wide	630,918 "	569
over 92 cm wide	135,603 "	275
Brocades & Shirtings white & dyed	18,612 "	7
Shirtings & Sheetings, dyed, plain	11,683,062 "	7,900
Pongees, dyed, plain	8,481 "	4
Drills and Jeans, dyed (3 or 4 shaft only)	1,791,498 "	2,028
Cotton Crape, white or dyed	30,287 "	17
Lastings, white or dyed	5,980 "	13
Sattens, Italians, Imitation Venetians, Tientsin Twills, Beatrice Twills, white or dyed	166,045 "	291
Diagonal Twills, Herringbone Twills, Gabardines, white or dyed	4,763,970 "	8,628
Serges, Coatings, Suitings, Tweeds and Trouserings, white or dyed	39,952 "	68
Satteen Drills, white or dyed	24,911 "	31
Poplins and Taffetas, white, dyed	196,007 "	265
Venetians, white or dyed	1,554 "	3
Cotton Flannel, or Flannellette	461,531 "	258
Cotton Velvets, Velvetens, and all other Pile Cloths, white, dyed, printed	22,703 "	38
Cotton Piece Goods, white or dyed	20,657,727 "	14,410
Total of Group II:		37,364

GROUP III: COTTON PIECE GOODS, PRINTED

	Millions of CN\$
Printed Cambrics, Lawns, Muslins, and Limbrics	398,046 metres 317
Printed Shirtings, Sheetings, and T-Cloths	980,622 " 802
Printed Drills and Jeans (3 or 4 shaft only)	8,719 " 18
Printed Cotton Piece Goods	2,350,988 " 1,880
Total of Group III:	3,019

GROUP IV: COTTON PIECE GOODS, MISCELLANEOUS

Shirtings and Sheetings, Yarn-dyed	77,852 metres	110
Oatmeal Crapes, Serges, Coatings, Suitings, Tweeds, Gabardines, and Trouserings, Yarn-dyed	13,244 "	16
Poplins and Imitation Poplins, Yarn-dyed	10,922 "	12
Cotton Flannel or Flannellette, Yarn-dyed	285,834 "	100
Cotton Piece Goods, Yarn-dyed, n.o.r.	98,821 "	110
Cotton Piece Goods	4,365,520 "	3,357
Total of Group IV:		3,708

GROUP V: COTTON, RAW; COTTON YARN, AND COTTON THREAD

Cotton, Raw	2,813,716 quintals	335,197
Cotton Waste, Yarn Waste, and Wadding	639 "	38
Cotton Yarn, Grey, Unprocessed	159,127 kilograms	937
Cotton Sewing Thread	58,915 gross	373
Cotton Thread, Crochet or Embroidery	20,537 kilograms	326
Cotton Thread	3,564 "	43
Total of Group V:		336,917

(To be continued in next issue)

Reduced Cost of Living in Hong Kong

Further slow progress has been made during the first three months of 1947 in the struggle against high cost of living. Compared to the price index of foodstuffs, textiles, metals & minerals, and miscellaneous articles for the year 1946, the aggregate index for March 1947 has dropped by 7½ percent. If not for the large increase in prices of metals & minerals during March against the 1946 annual index, which amounts to almost 20%, the overall picture would present itself much more optimistically.

The most welcome drop in prices this year as against 1946 was recorded in foodstuffs, followed by miscellaneous articles and by textiles, the March index figures having been reduced by 20%, 20%, and almost 10% respectively. The increase in metal & mineral prices in March over the 1946 average amounted to almost 20%.

Compared to prewar cost of living, i.e. in the first part of 1941, to-day's cost of living is considerably higher. However, much satisfaction and optimism can be derived from the fact that since the end of war high cost of living has been consistently and progressively reduced. This movement has not stopped but, as will be seen from the index figures published below, shows further momentum so that local citizens can feel assured that the return to still lower price levels will be achieved.

Foodstuff prices in March 1947 against 1941 (first six months) prices are now only 260% higher. Metals & minerals have shown the best record compared to 1941 since the index is up only 110%. Miscellaneous articles, as enumerated in the list below, are up by 180%, and textiles, which are the most expensive group of goods compared to the "good old days", have risen by about 410%.

Lumping all goods together, the overall index increase in March 1947 against the first half year of 1941 amounts to 240%. In other words, one dollar's purchasing power of to-day would require the expenditure of only 30 cents in early 1941; or one dollar of 1941 bought goods or services which to-day cost on the average \$3.40.

If one looks around in the Far East, particularly there where the Japanese army remained for many years in control, no similarly favourable position could be discovered. In fact, most cities and countries which suffered from acts of war have been lagging far behind the remarkably fast tempo of Hongkong's rehabilitation. Even the great industrial powers have suffered a certain degree of monetary depreciation; in the U.S. approx. 50 to 60% higher average prices compared to the prewar level have been recorded. In most Central and South American countries cost of living increased between 100 to 250%.

If one looks for an explanation for the quick improvement of the local economic position and the comparative low level of postwar prices, a number of principal and contributory reasons must be cited, and the happy conspiracy of various factors should not be forgotten. The cornerstone of Hongkong's recovery is, of course, its lucky position as a member of the British Commonwealth, with the attendant advantage of a participant in the sterling area exchange.

Index Numbers of Wholesale Prices

The following index of wholesale prices has been constructed on the basis of declared quantities and c.i.f. values of commodities imported into the Colony. The index numbers are not "weighted". The year 1938 has been selected as the base period as representing a normal year.

AVERAGES BY GROUPS

Groups	1938	1st ½ year 1941	1946	January 1947	February 1947	March 1947	1st Quarter 1947
Foodstuffs	100	155.4	704.8	549.2	635.2	559.5	581.3
Textiles	100	138.3	769.1	621.9	487.0	709.0	606.0
Metals & Minerals	100	160.2	287.3	255.0	326.2	342.2	307.8
Miscellaneous	100	168.9	604.5	580.4	505.7	481.9	522.6

INDIVIDUAL AVERAGES

FOODSTUFFS	1938	1st ½ year 1941	1946	January 1947	February 1947	March 1947	1st Quarter 1947
Beans	100	168.8	920.8	688.4	674.7	694.1	685.7
Beef	100	128.1	*550.0	*515.6	*515.6	*515.6	*515.6
Eggs	100	110.0	913.2	762.8	774.8	664.4	734.0
Flour (wheat)	100	160.5	399.0	450.5	Nil	385.0	417.7
Saltfish	100	140.0	319.2	186.1	115.3	145.8	149.1
Fruits (fresh)	100	192.6	515.7	600.4	458.6	440.4	499.8
Lard	100	162.7	697.8	543.8	779.1	664.9	662.6
Milk (condensed)	100	165.9	159.0	172.9	159.8	170.7	167.8
Mutton	100	129.3	*263.4	*329.3	*329.3	*329.3	*329.3
Onions	100	132.8	758.0	433.1	408.1	416.4	419.2
Peanut Oil	100	145.2	972.1	798.2	949.5	793.2	846.9
Pork	100	150.0	*500.0	*500.0	*500.0	*500.0	*500.0
Potatoes	100	163.7	631.6	493.8	479.6	375.1	449.5
Poultry, (Live)	100	208.3	671.4	394.0	423.8	495.2	437.7
Rice (broken)	100	197.0	612.2	Nil	1,397.7	Nil	1,397.7
Rice (white)	100	173.4	916.6	816.2	969.8	1,154.7	980.2
Sugar (raw)	100	128.9	1,468.1	Nil	1,065.0	1,050.0	1,057.5
Vegetables (dried, salted & pickled)	100	146.3	660.9	764.5	518.8	557.4	613.5
Vermicelli	100	150.0	1,421.8	886.9	914.6	719.7	840.4
Average	100	155.4	704.8	549.2	635.2	559.5	581.3

* Index number for Australian meat in year 1946 and 1st quarter of 1947.

TEXTILES	1938	1st ½ year 1941	1946	January 1947	February 1947	March 1947	1st Quarter 1947
Cotton Yarn	100	113.8	1,349.2	978.5	893.8	873.8	915.4
Cotton (dyed, plain)	100	131.8	1,422.7	995.5	681.8	500.0	725.8
Italians (dyed, figured, plain)	100	119.4	847.2	544.4	Nil	355.5	449.9
Shirtings White (40/43 Yds.)	100	104.6	1,483.1	1,049.6	Nil	1,377.7	1,213.6
Hemp (Manila)	100	127.8	Nil	630.8	639.9	806.4	625.7
Gunny Bags	100	214.3	492.9	507.1	496.4	589.2	530.9
Hessian Cloth	100	180.0	926.7	Nil	393.3	1,426.6	909.9
Silk Piece Goods	100	115.5	625.0	476.3	482.3	456.7	471.8
Silk Yarn (artificial)	100	172.4	317.3	630.6	Nil	1,030.6	830.6
Blankets (wool & union)	100	157.8	263.3	205.0	173.8	268.8	215.9
Flannels	100	93.5	274.0	347.2	197.9	605.6	383.6
Suitings & Tweeds (woollen)	100	128.5	459.2	475.9	424.1	417.0	439.0
Average	100	138.3	769.1	621.9	487.0	709.0	606.0

METALS & MINERALS	1938	1st ½ year 1941	1946	January 1947	February 1947	March 1947	1st Quarter 1947
Brass Sheets	100	187.0	269.7	257.0	331.9	266.3	285.1
Yellow Metal Sheathing	100	174.8	234.0	328.8	Nil	327.2	328.0
Coal	100	250.4	557.8	Nil	779.4	583.2	681.3
Iron & Steel Bars	100	135.1	217.7	232.6	275.3	245.1	251.0
Iron & Steel Nails	100	144.9	362.3	393.3	277.4	376.8	349.2
Iron & Steel Plates	100	138.4	235.6	312.5	231.1	352.6	308.7
Lead (pig)	100	146.9	354.4	Nil	Nil	355.9	355.9
Kerosene	100	185.7	371.4	191.4	Nil	485.7	338.5
Oil, Fuel	100	146.5	148.6	Nil	Nil	Nil	Nil
Lubricating Oil	100	145.7	271.6	193.8	223.4	213.5	211.9
Petrol	100	98.7	194.7	201.3	248.6	339.4	263.1
Tin	100	168.1	229.7	179.4	242.4	188.7	203.5
Average	100	160.2	287.3	255.0	326.2	342.2	307.8

MISCELLANEOUS	1938	1st ½ year 1941	1946	January 1947	February 1947	March 1947	1st Quarter 1947
Cement	100	234.9	413.2	406.3	244.4	226.4	292.4
Charcoal	100	256.4	680.0	673.8	838.8	748.0	752.9
Feather (ducks)	100	120.0	308.7	314.9	288.4	212.6	272.0
Firewood	100	223.2	732.6	772.7	754.7	663.1	730.2
Hardwoods	100	127.7	1,670.8	1,550.8	935.3	874.6	1,120.2
Hides (cow)	100	95.4	301.5	339.2	254.3	317.3	303.6
Hides (buffalo)	100	139.7	400.4	490.8	608.1	513.5	537.5
Leather (sole)	100	105.5	303.5	281.2	312.6	323.9	305.9
Paper (Chinese)	100	116.0	438.2	466.3	278.1	425.6	390.0
Rattans	100	128.2	851.5	690.0	520.2	568.2	592.8
Saltpetre	100	201.9	690.8	391.4	439.8	Nil	415.6
Softwoods	100	188.7	377.3	582.5	515.4	420.6	506.2
Soda Ash	100	239.4	556.6	940.8	763.5	537.3	747.2
Sulphuric Acid	100	142.5	329.1	268.0	328.8	278.1	298.3
Sulphate of Ammonia	100	213.9	1,012.8	516.6	Nil	638.4	577.5
Average	100	168.9	604.5	580.4	505.7	481.9	522.6

UNOFFICIAL EXCHANGE RATES

In Hongkong Dollars

Chinese dollar (per one million)

	Gold per tael		T.T.		T.T.		T.T.		US\$ (per 100)		£		I.C.\$	
	High	Low	High	Low	High	Low	High	Low	Notes	Draft	Note	Note	(per 100)	
April 21	278½	271	320	315	297½	285	260	290	459	473	510	14.35	10.90	
22	277	272½	290	280	285	250	220	260	450	458	505	14.40	10.90	
23	273	269½	270	250	265	230	205	240	452	456	505	14.25	10.80	
24	278	269½	270	225	247½	210	180	225	453	462	510	14.40	10.80	
25	275½	267	282½	255	247½	225	190	240	453	463	510	14.40	11.10	
26	274	271½	285	277½	260	242	199	260	454	466	515	14.40	11	

